

Microenterprise Best Practices (MBP) Grant Portfolio Review

Part One: Background, Implementation, and Performance of the MBP Grant Facility



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MICROENTERPRISE BEST PRACTICES

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Part One: Background, Implementation, and Performance of the MBP Grant Facility

by

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PREFACE

This report, the first of two, presents and review's USAID's Microenterprise Best Practices (MBP) grant portfolio. Sixty-seven grants made between March 1997 and March 2000 for exchange visits, capacity building, and innovation in the microenterprise field are analyzed. This report covers: (1) the grant-making process and performance of the grant portfolio, and (2) substantive contributions made by individual grants to the field of microenterprise.

The report is organized as follows: the Executive Summary provides a two-page discussion of the main highlights of the program review. Chapter One provides background on the program, describing the intent, range of grants, and evolution of the program. Chapter Two discusses the objectives of the study, the methodology employed, and the limitations of this approach. Chapter Three describes the grant portfolio from a variety of perspectives and presents the implementation process—from grant solicitations to awards, implementation, monitoring, and feedback. Chapter Four analyzes the portfolio from several vantage points. It examines the performance of individual grants, analyzes the facility as a whole, examines the extent to which grants made contributions to the microenterprise field, and draws findings and conclusions regarding “process.” Chapter Five suggests lessons learned from the past three years. Chapter Six makes recommendations for the future, both for the remainder of MBP and for USAID's next grants program.

This report is most useful to those readers interested in the MBP grant-making process and the overall performance of the grant portfolio. The companion report, “Microenterprise Best Practices (MBP) Grant Portfolio Review—Part Two—MBP Grant Briefings,” is most useful to those readers interested in the specifics of each of the 67 grants. The briefings identify the problem addressed by the grant, proposed outcome, intervention, results, and notes. Each briefing is generally two pages long.

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EXECUTIVE SUMMARY

This report reviews USAID's Microenterprise Best Practices (MBP) grant portfolio: 67 grants made between March 1997 and March 2000 for exchange visits, capacity building, and innovation in the microenterprise field. The small grants program (average grant size is \$32,000) is managed by Development Alternatives, Inc. under a larger research contract. The grant facility's mandate is to encourage "ongoing investments in institutional capacity through learning and information exchange." The assignment was carried out between May and October 2000.

- **The Grant Portfolio.** Although global, the plurality of grants (30) went to institutions working in Africa, followed by 14 in Latin America and 10 in Asia. The majority of grants were made to unaffiliated nongovernmental organizations (NGOs), demonstrating an ability to reach beyond more traditional U.S. partners. Most grants were made to microenterprise development organizations for financial, as opposed to business development, services. Although the majority of grants have been substantially completed, there are still a number that are significantly behind schedule (primarily innovation and then capacity-building grants). Most MBP program grants can be characterized as "one-off" grants, chosen and implemented independently of one another.
- **Performance of Grants.** The majority of grants (36) have substantially achieved the objectives articulated in their proposals and reaffirmed in the individual grant agreements. However, 24 grants have not advanced far enough along to make a judgment as to whether their grant agreement objectives will be met. The plurality of grants (28) also contributed to capacity building in the microenterprise industry. Six of the 18 innovation grants have added innovations to the microenterprise industry to date. The plurality of grants (28) also contributed to satisfying the MBP contract performance standard for the grant facility: "Establishment of . . . activities that are likely to outlive the project and movement . . . towards 'best practices' in the field." At the same time, the final verdict is not in because it is too early to assess 26 grants, and another 8 lack sufficient information to make a judgment.
- **The Grant-Making Process.** The overall grant-making process is successful. The solicitation process was transparent and not burdensome on applicants; the grant review process is appropriate for the size and nature of MBP small grants; and the grant awards have straightforward and clear agreements. In contrast to the efficient grant-making process, less attention was paid to monitoring, implementation support, feedback, and learning. There are a number of reasons for this weakness, much stemming from the initial design.

Beginning a year ago, a more thematic approach to grant making was initiated with the Collaborative Learning Program, Performance Measurement Framework, and New Product Development grants. This thematic approach, in part, is overcoming the problems encountered with post-grant awards in that they offer a more cost-effective

alternative to “one-off” grants and could potentially lead to greater contributions to the global microenterprise industry.

- **Contributions.** Although the MBP grant portfolio was organized around the three grant categories of exchange visits, capacity building and innovation, this structure was not particularly useful in making programmatic decisions or in culling lessons learned and findings. Thus, this report characterized grants around the common challenges of: microfinance network development; information technology in microenterprise development; ratings, standards and benchmarking; environment and microenterprise development; new product development; and business development services. Of the 43 capacity-building and innovation grants in the MBP portfolio, 35 fit one or more of these characterizations. A number of lessons were learned from this analysis and are discussed in the body of this report.
- **Recommendations for the remainder of MBP.** MBP is in its final year. The focus should now switch from new awards to following up on existing grants, providing more implementation support, and disseminating information and lessons learned. This should include convening the panel of technical experts that normally meets to rank new proposals to review this report and grantee progress/final reports in order to design an implementation support plan for the next 11 months. Other immediate actions might include considering small follow-up grants for promising MBP grants, continuing to publish and disseminate useful products and tools coming out of the program, and developing and implementing close-out plans.
- **Recommendations for a future USAID grants program.** USAID should continue with a small grants program under the redesigned Microenterprise Innovations Program. However, a more strategic small grants program should be considered, focused around limited and concrete objectives. It also would make sense to ask a contractor to manage this new small grants program, but USAID will need to address new Automated Directives System (ADS) guidelines on contractor management of small grants.

In any case, the general approach to soliciting, reviewing proposals, and making awards conducted under the current program should be continued, but with two modifications. First, engage USAID missions more routinely in grant proposal reviews and, to the extent possible, in grant monitoring. Secondly, seek ways to solicit proposals through alternative complementary channels. The major process change suggested is that greater attention be paid to monitoring, implementation support, assessment, and learning in a second-generation small grants program.

With respect to structuring a new program, move away from the capacity-building, innovation, and exchange-visit categories for small grants. Instead, follow a thematic approach that is driven by microenterprise practitioners. This approach should include a clear statement of the problem addressed, hypothesis for overcoming the problem, multiple grants to various organizations with interest and contributions to make in the defined problem area, technical support to interact, communicate and collaborate among grantees, and built-in learning, assessing and knowledge dissemination.

CHAPTER ONE

THE GRANTS PROGRAM: BACKGROUND

The Microenterprise Initiative was launched in 1994 as a set of policies, strategies, and specific actions designed to make microenterprise development a prominent feature of USAID economic growth strategic objectives. The Microenterprise Innovations Project (MIP), authorized the following year, is the main vehicle for implementing the initiative. It consists of contracts and funds directed by USAID's Office of Microenterprise Development. Among the MIP components is the Microenterprise Best Practices (MBP) Project, the objectives of which are to expand the knowledge base of the microenterprise development field and to improve the design and implementation of USAID-supported projects. MBP carries out best practices operational research (funded at \$3.7 million), provides small grants (funded at \$2.4 million), and disseminates information (funded at \$1.3 million). The MBP contract was awarded to Development Alternatives, Inc. (DAI) in March 1996, with the Small Enterprise Education and Promotion (SEEP) Network as a partner for the grant facility.

According to USAID's contract with DAI, the MBP grant facility's mandate is to encourage "ongoing investments in institutional capacity through learning and information exchange." In support of this mandate, MBP offers small grants to microenterprise development organizations to:

- Share information about and increase understanding of successful microenterprise development practices;
- Develop or improve technical skills and long-term capacity to carry out effective field-based training and information exchange activities; and
- Test and explore innovative programs, technologies, and methodologies to serve microentrepreneurs.

The grant facility has exchange-visit, capacity-building and innovation grants. Table 1 describes each grant classification and compares the awards anticipated in the contract with actual figures as of March 31, 2000, as MBP ends its fourth year.

Table 1: MBP Grant Types

Type of Grant	Description of Grant	Contract Number	Number to Date	Obligated to Date
Exchange Visit	Supports exchange of experience, development of specific technical skills, and cooperation among microenterprise development organizations	25-30	24	\$228,403
Capacity Building	Supports training, product or systems development, and other activities that improve the technical skills and knowledge base of microfinance and microenterprise development organizations, including networks	10-15	25	\$1,265,146
Innovation (Pilot Project)	Supports the field-testing of innovative programs, technologies, and methodologies that are new to the microenterprise field and have the potential to improve the delivery of services to microentrepreneurs.	5-10	18	\$664,838
Totals			67	\$2,158,387

Annex 2 lists all ongoing and completed grants by type of grant as of March 30, 2000. Part Two contains a more detailed account of each grant, including the problem addressed, proposed outcome, interventions, results, and notes.

The MBP Managing Director oversees the facility, and the MBP Grants Administrator is responsible for daily management. The SEEP Network provides technical guidance and limited monitoring and learning support. Review committees, consisting of USAID and MBP staff and outside microenterprise development specialists, analyze proposals and make recommendations to USAID, which has final approval authority.

THE EVOLVING CONTEXT

The MBP project and the grant facility have evolved over the past four years. Eleven months after signing the contract, MBP produced a grant planning and management document that set out the processes to be used in awarding grants. The first award was made to World Vision one month later in March 1997. By April 1998, DAI analyzed the MBP project and recommended actions to strengthen the research component. The following year, in April/May 1999, DAI recommended and USAID approved linking the grant facility to the research agenda “to field test or pilot selected principles, approaches, and methods being advanced through the research agenda.”

MBP’s grant facility was the first time USAID’s Office of Microenterprise Development contracted out a small grants program. The general view has been that the grant-making process has worked well. However, there has been much less clarity as to whether the grant facility achieved its performance standard. The MBP contract has a clear performance standard for the grant facility: “Establishment through sub-grants of effective training and information exchange activities that are likely to outlive the project.” A second, implicit indicator is “movement of MSE service institutions towards ‘best practices’ in the field.”

Now, with one year remaining in the project and a sizeable grant portfolio to review, USAID has decided to closely examine the MBP grants facility. This also coincides with a major review that the Office of Microenterprise Development is carrying out of its entire MIP portfolio.

This review was carried out from May through October 2000. The chief researcher was Steve Mintz. He was assisted by Colleen Green, MBP microenterprise specialist. Jimmy Harris, MBP grants administrator, provided invaluable daily support, historical perspective, and great insights. MBP Managing Director Paul Bundick provided important guidance.

CHAPTER TWO TERMS OF REFERENCE

LEARNING OBJECTIVES

The learning objectives of this assignment were to analyze:

1. The grant portfolio, in particular the innovation portfolio, to extract important results and lessons that would benefit the microenterprise community at large and inform MBP's research agenda.
2. The grant facility mechanism, to provide recommendations to MBP (and USAID) on ways to design future small grants programs.

METHODOLOGY

The following methodology was used to conduct this assignment.

1. **Review of documentation.** All completed and ongoing grant files were reviewed. This included reading all pre-proposals (utilized in the grant-making process in early years) and final proposals, commentary and ranking of those proposals by technical committee participants, grant agreements and amendments, substantive communications between DAI and grantees, and progress and final reports. Not much attention was paid to the financial reporting given the non-audit nature of this program review.

All 1999 grant applications and half of the 1998 grant applications were reviewed to get a sense for the quality of proposals that were considered but were not felt to merit grant awards. Solicitations for 1998 and 1999 were also reviewed, as was the MBP grants handbook. Finally, DAI's contract and work plans were examined.

2. **Questionnaires and Responses from Grantees.** Separate questionnaires were sent to all innovation, capacity-building, and exchange-visit grantees to obtain feedback from the grantees concerning the benefits of the MBP small grants program for themselves, the larger microenterprise community, and the grant-making process. Suggestions for improvements also were solicited. Copies of the questionnaires are presented in Annex 3.

Forty-five out of 67 grantees responded to the questionnaires and/or were visited in person.

Copies of the questionnaires also were sent to USAID missions to solicit feedback. Unfortunately, only two missions responded. One evidenced close collaboration with the MBP grants program in Washington and the host country, while the other claimed no knowledge of the grant and did not participate in its approval.

Table 2: Responses to Questionnaires and/or Visited in Field

Type Grant	Yes	No
Capacity Building	22	3
Exchange Visit	12	12
Innovation	11	7
CLP	6	0
PMF	3	3

3. **Field Visit.** The contractor took advantage of being in East Africa on other business to visit organizations that have implemented seven MBP grants:

- OIC Tanzania Exchange Visit to South Africa and Zimbabwe;
- FAIDA Tanzania Performance Measurement Framework Grant;
- Swisscontact Tanzania Franchised Poster-Based Training;
- Swisscontact Uganda Employee-Based Training for Carpenters;
- KREP Kenya Debt Collection Study and Training Program;
- Kenya Postal Bank New Product Development Grant; and
- Kenya Postal Bank Exchange Visit to South Africa and Zimbabwe.

Field trip reports were prepared for each of these grants (see Annex 4).

4. **Interviews.** Initial interviews were held with all key actors at USAID, DAI, and the SEEP Network. Phone or personnel interviews also were held with a variety of grantees, USAID program and support managers, other microenterprise grant managers, and so on. A list is found as Annex 5.
5. **Profiling the MBP grant portfolio.** Sixty-seven grants were under review, each with differing objectives. An analysis was performed characterizing the portfolio against a number of factors, including regional variation, type of grantee organization, microfinance versus business development services (BDS) grant, and program focus. Judgments also were made on whether:
- The objectives of individual grants were substantially met. This was defined as meeting the objectives as defined in the grantees' original proposals and as reaffirmed in the jointly executed grant agreements.
 - The grants contributed to meeting MBP contract performance standards. Per the terms of reference for this assignment, the contract performance standards are:
"Establishment . . . of effective training and information exchange activities that are likely to outlive the project, and movement of MSE service institutions towards 'best practices' in the field."
 - The grants led to capacity building. Again, per the terms of reference for this assignment, capacity building is defined as improving the technical skills and

knowledge base of microfinance and microenterprise development organizations, including networks.

- The grants resulted in some innovations. Per the terms of reference, this is defined as developing new programs, technologies, or methodologies that improve the delivery of services to microentrepreneurs.

The latest information available through August 2000 was used to describe and analyze the 67 grants in the MBP grant portfolio as of March 2000. All means noted in this chapter on methodology were used to gain this information. With respect to judging individual grants, the greatest reliance was placed on independent visits by the author, SEEP program managers, and independent researchers. Beyond this information source, greater reliance was placed on the responses to the questionnaires and final grant reports summarizing what was accomplished.

Annex 6 presents a table defining each of these grant characteristics, which is followed by a ratings of each individual grant. Chapters Three and Four present the analysis in narrative and graphic form.

6. **Characterizing MBP Grants.** The original plan for conducting this program review was to focus on a sample of innovation, capacity-building, and exchange-visit grantees. However, after initiating this study, it became clear that the three grant divisions—innovation, capacity building and exchange visits—were not meaningful divisions. Why? For one, several of the innovation and capacity-building grants could have been characterized either way; discussions with MBP grants management confirmed the sometimes arbitrary division between categories. Secondly, exchange visits can be thought of as inputs to achieving higher-level objectives. Most of the exchange visits were really capacity-building grants, as envisioned under the program and as confirmed by the results of these visits.

For these reasons, the author came up with a different characterization for the purpose of this program review—around substantive themes. These themes are:

- Microfinance network development;
- Information technology in microenterprise development;
- Ratings, standards, and benchmarking;
- Environment and microenterprise development;
- New product development, including insurance, housing, and other new loan products; and
- Business development services.

These themes were selected because they (1) address a topic of importance to the microenterprise industry; (2) permit findings and lessons learned to be drawn that may be of interest to microenterprise practitioners and donors; and (3) capture the objectives of a significant number of MBP capacity-building and innovation grants.

The program review also looked at the benefits of following a thematic approach to grant making and examined lessons learned from the MBP exchange visits.

LIMITATIONS OF THE METHODOLOGY

Although this methodology is a cost-effective means of reviewing the grant portfolio, a number of limitations need to be articulated:

1. Many of the accomplishments are self-reported by grantees. Although the author made field visits to seven grantees (10 percent of the portfolio), these visits were to the office headquarters of grantees and not to field sites.
2. Not all grantees responded to the questionnaires, and some respondents submitted vague comments.
3. Although the program is entering its final year of implementation, in many ways implementation and achievement of accomplishments are still a work in progress. Thirty-five percent of the grants have not yet been completed. Further, although many more grants have technically been completed, their true achievements are still to be seen. For example, the rather interesting Swisscontact grant for franchised training is completed, but the proof of whether organizations will buy into the franchise concept and whether poster-based training is effective will take time to bear out.
4. Reports in the files were sometimes limiting. Although a number of grantees were very generous with the frequency and depth of progress reporting, others have been delinquent in reporting or have submitted reports that were brief and vague.
5. Several progress reports were submitted only in French or Spanish, and the author is not proficient in either language.
6. With regard to toolkits and manuals, further outside feedback would be needed to determine the value of the tools to the broader microenterprise field.

The study attempted to compensate for these limitations in the following ways:

1. It utilized grantees visited in person to the maximum extent possible. For example, both exchange-visit grants observed in East Africa were used to draw lessons learned from exchange visits.

2. It studied grants that had relatively more information as opposed to less in the files. (For example, much material was extracted from the World Vision–Ethiopia capacity-building grant.)
3. It utilized grantees based in Washington, D.C., to the extent possible.
4. It relied on translations provided by the MBP grants administrator.
5. It relied on monitoring reports filed by SEEP program managers and MBP researchers to obtain other independent views of particular grants. Six were on file.

CHAPTER THREE

DESCRIPTION OF THE GRANTS PORTFOLIO AND IMPLEMENTATION PROCESS

This chapter presents the MBP grants portfolio and the implementation process followed to solicit, award, and implement grants. It is descriptive. Analysis, findings, and recommendations are found in subsequent chapters.

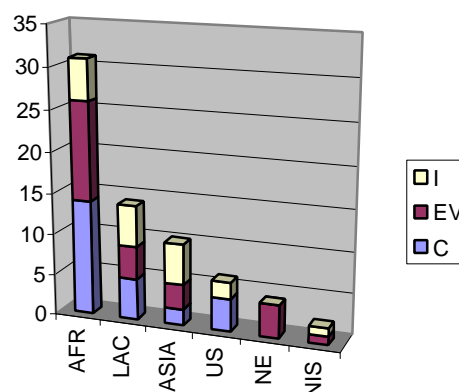
THE MBP GRANT PORTFOLIO

This chapter is divided into an examination of the overall portfolio of 67 grants and the subsets of capacity-building, innovation, and exchange-visit grants. Details on the characterization of each grant are presented in Annex 6, including definitions of terms used.

Profile of Overall MBP Grant Portfolio

- **Geographic Distribution.** There was variation in the distribution of grants across regions. Thirty of the 67 grants address microenterprise in Africa, followed by 14 in Latin America and 10 for Asia. The remaining grants were split between the New Independent States, the Near East, and U.S. global grants. This distribution was not surprising, given the priority placed on microenterprise in Africa and the leading role Latin America has played in pioneering microenterprise development. Several solicitations were restricted, for example, to African microenterprise programs. From a dollar perspective, African grantees received 47.5 percent of small grant funds, followed by 22.0 percent for Latin America, and 13.6 percent for Asia; and the remainder was split among the Near East, New Independent States, and the United States (grants having a truly global focus).
- **Types of Organizations Receiving Awards.** The majority of MBP grants were made to unaffiliated local nongovernmental organizations (NGOs). More than half of all grants (34) were awarded to these organizations. Thirty grants went to international private voluntary organizations (PVOs) or affiliates. Three went to formal financial institutions, such as banks. This finding demonstrates that the solicitation process does indeed reach out, despite some reservations expressed that the solicitation process does not reach out far enough. From a dollar perspective, 47.0 percent of grant funds went to unaffiliated

Figure 1: Regional Distribution



NGOs, and 49.8 percent went to international PVOs. The remainder went to financial institutions.

Figure 2: Grants by Type Institutions

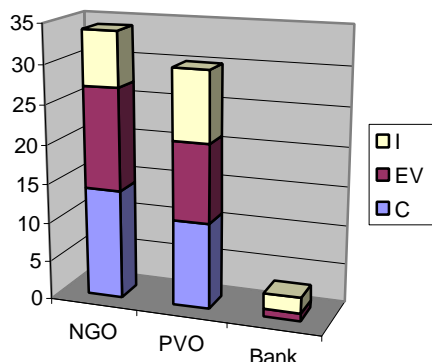
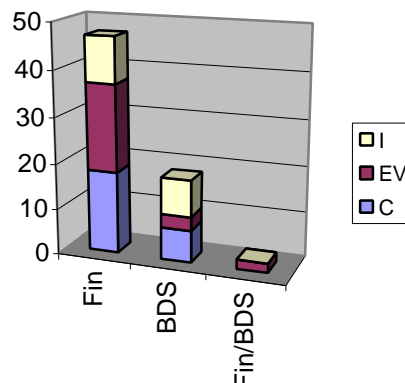
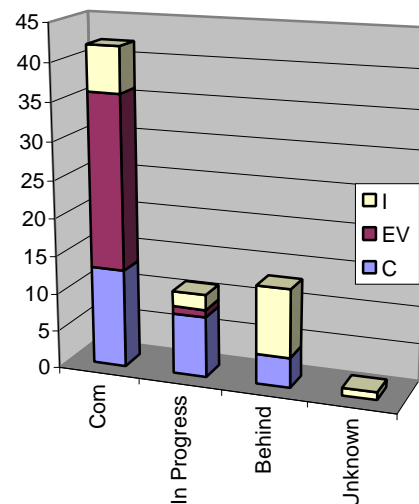


Figure 3: Finance vs. BDS



- Microfinance and Business Development Services.** Most grants were made to organizations for microenterprise financial services as opposed to BDS. Forty-seven grants were oriented toward microfinance as compared with 18 with an orientation toward BDS. Two grants had dual purposes. From a dollar perspective, 72.6 percent of funding went to financial services activities and 26.1 percent to BDS, with the remainder for dual-purpose grants.
- Status of Implementation.** The majority of MBP grants have been substantially completed, but a number are still significantly behind schedule. Forty-two grants have been completed, 11 are progressing as planned, 13 are behind schedule, and the status of one is unknown. The innovation grants tend to have the longest implementation delays, followed by the capacity-building grants. Exchange-visit grants generally do not have problems with meeting their implementation schedules. This reflects the degree of complexity among the three categories and reflects the steep learning curve for a number of innovation grants. In any case, given that the MBP program has less than one year remaining, attention needs to begin focusing on winding down grants. From a dollar perspective, 59.7 percent of the grants are completed, 16.0 percent are in progress, and 20.7 percent are behind schedule.

Figure 4: Progress with Implementation

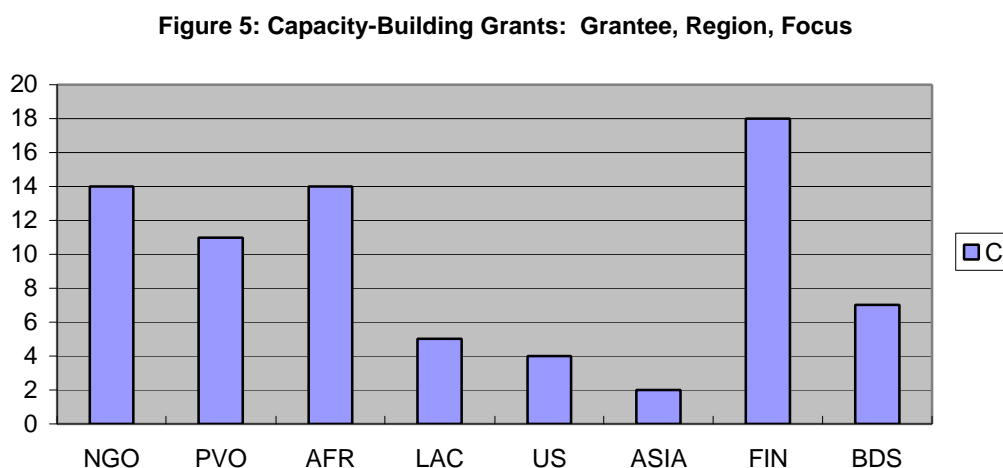


The Capacity-Building Grants Portfolio

Looking at the MBP capacity-building portfolio by itself, we find that most capacity-building grants:

- Went to unaffiliated local NGOs;
- Were focused on the Africa region; and
- Were designed to strengthen financial services of microenterprise institutions.

Figure 5 provides details.



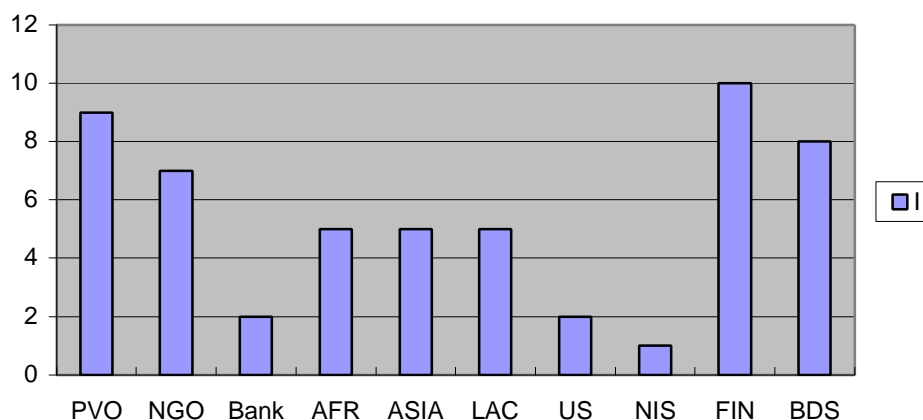
A majority of the capacity-building grants (13) are essentially completed, another eight are in progress, and four are behind schedule. The four that are behind schedule all had their own reasons. In one case, the grantee (K-REP in Kenya) was overextended, and key personnel were not available. In another case, the grantee (CARE in Mozambique) faced hurdles stemming from recovery from a natural disaster and the effects of a long civil war.

The Innovation Grants Portfolio

Looking at the MBP innovation grant portfolio, we find that the plurality of such grants:

- Went to international or affiliated PVOs;
- Were relatively focused on the Africa, Asia, and Latin American regions; and
- Were designed to innovate with respect to financial services of microenterprise institutions. (However, there also were a good number of innovative BDS grants.)

Figure 6 provides details.

Figure 6: Innovation Grants: Grantee, Region, Focus

Although some innovation grants are essentially completed (6), the majority are still under implementation (2), are behind schedule (9), or the status is unknown (1). The majority (6) that are behind schedule are linked to the Performance Measurement Framework, the problems of which are discussed in Chapter Four.

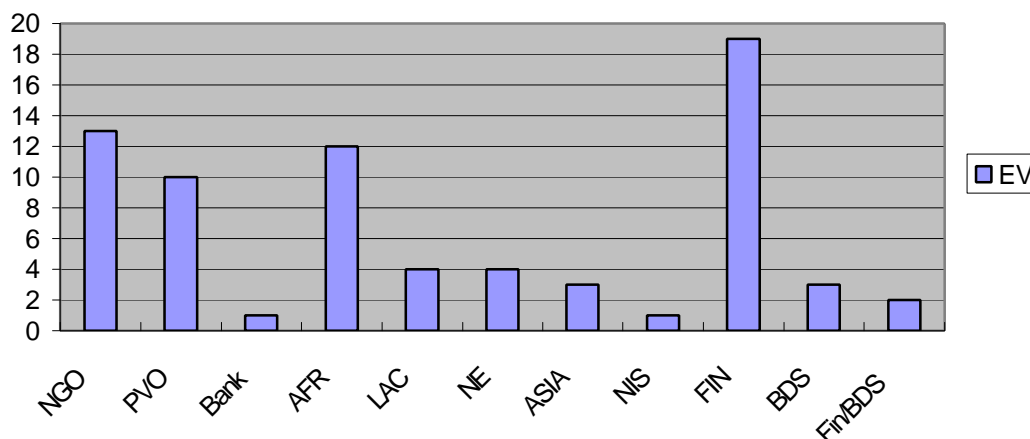
The Exchange-Visit Grants Portfolio

Looking at the MBP exchange-visit portfolio by itself, we find that most exchange-visit grants:

- Went to non-affiliated PVOs;
- Were focused on the Africa region; and
- Had microfinance objectives.

Figure 7 provides details.

A large majority of exchange visits are completed (22), and the status of two others are either unknown or behind schedule.

Figure 7: Exchange-Visit Grants: Grantee, Region, Focus

THE PROCESS OF GRANT MAKING

Awarding Grants

In February 1997, a MBP grant planning and management document was produced that describes the MBP grant facility; the grant review, award, and administrative processes; and grant facility management. The document also provides sample solicitation announcements, evaluation forms, and grant agreement templates. The document established a system that has been largely followed throughout the program.

The program review sought as much feedback as possible regarding the grants processes. Information was obtained from the questionnaires, a field trip, and interviews. The presumption that there was a high level of customer satisfaction was borne out by this effort. The accompanying text box summarizes the written feedback received from grantees based on questionnaires sent out.

Grantee Feedback Regarding Process

- Forty-five out of 67 grantees responded in writing.
- Twenty-two respondents gave high marks.
- Three respondents gave negative remarks.

Among suggestions for improvements:

- Increase substantive monitoring;
- Visit grantees during implementation;
- Link similar grants to maximize learning;
- Follow up and disseminate information;
- Develop performance indicators to measure impact;
- Extend grant duration; and
- Increase size of grants.

Solicitations

Early in the program, advertisements were mailed to 1,000 microenterprise practitioners based on the GEMINI (a former USAID microenterprise research program), SEEP Network and Microcredit Summit databases, as well as other mailing lists. Over time, grant announcements also were made through DEVFINANCE, the Ohio State University microfinance Internet listserve. However, other channels for announcing new rounds of the grants program have been used, such as targeting participants at a French West Africa microenterprise conference. In addition, to expand the universe of applicants, a number of solicitations were translated into Spanish and French (although proposals had to be submitted in English). Although the results show that MBP was able to reach out to many unaffiliated microenterprise practitioners, some interviewees felt that the small grants program is still dominated by a limited set of microenterprise organizations that are “in the know” and that actively participate in DEVFINANCE.

The solicitations in early years were rather general, focusing on exchange-visit, capacity-building, and innovation grants. In later years, some solicitations became more focused, such as solicitations for Africa only or for the Performance Measurement Framework (PMF), Collaborative Learning Program (CLP), and New Product Development (NPD) themes discussed earlier.

The paperwork requirements for applicants were modest. For several years, “pre-proposals” were solicited for capacity-building or innovation grants to minimize the initial work required of applicants. Paper requirements for the exchange visits applications were even simpler.

Table 3: Two Illustrative Grant Solicitations (1998)

	Exchange Visit	Capacity Building	Innovation
Pre-proposals	None required	Two pages only, due 9/15/98	Two pages only, due 9/15/98
Proposals	Four times over year, limited to three pages plus attachments	Limited to 6 typed pages, 45 days to prepare	Limited to 7 typed pages, 45 days to prepare
Anticipated Awards	1-3 grants per application deadline, average size grant \$10,000, for short-term visit	4-6 grants, average grant size \$70,000, for one year	2-4 grants average grant size \$80,000, for 1-2 years
Grant Focus	Open for microfinance and BDS in microenterprise field for visit outside applicants' network of affiliates or partners	Supports training, product, systems development, or other activities that improve technical skills and knowledge base of organizations/networks serving microentrepreneurs	Supports field testing innovative programs, technologies, methodologies that are new to the microenterprise field and have the potential to improve delivery services to microentrepreneurs
Selection Criteria	<ul style="list-style-type: none"> - Issues to be addressed and how proposed trip will help applicant address the issue - Rational for selecting the organization to be visited and documentation from that organization indicating its cooperation - Specific outcomes the applicant expects to be achieved from visit and how these outcomes relate to organization's strategic goals 	<ul style="list-style-type: none"> - Ability to improve specific skills/knowledge - Evidence of demand for those skills and that knowledge among targeted participants - Impact beyond grant through mechanisms that disseminate grant activities, materials, products, or systems to others - Capacity to institutionalize activity as part of ongoing work - Ability to foster long-term collaboration among participating organizations 	<ul style="list-style-type: none"> - Articulate innovative elements of proposed activity - Document or detail organization track record in microenterprise development - Provide evidence of knowledge of current state of the art in subject area to be addressed by activity - Demonstrate the proposed innovation's likelihood of achieving significant scale and outreach

Grant Reviews

Once proposals are received, the MBP grants administrator carries out an initial review. Non-responsive proposals are set aside. When pre-proposals are required, MBP selects the group of applicants to ask for full proposals. Once full proposals are submitted, a formal MBP grants review committee is formed. Normally, the committee will include between four and six members, the majority being outside microenterprise experts, but also including one or two representatives from the USAID Office of

A Snapshot of Grant Reviews *1998 Solicitation for African Organizations*

- Fifty-three organizations from 17 African countries submitted 66 pre-proposals;
- Eighteen applications were invited for full proposals.
- Seven grants awarded: six capacity building and one exchange visit.

Microenterprise. Each member individually goes through the full proposals, fills out a one-page form with a number of criteria for weighing the merits of proposals, and formulates comments/questions. The members then convene and review individual assessments. Questions are often asked of applicants. Once all the information is in, a consensus is reached on which applicants are deserving of award. Then a decision-making memorandum is issued for formal USAID approval. (Often, the USAID program manager serves on the technical panels, so this step is pro forma.)

This process is followed for the innovation and capacity-building grants. For exchange visits, an internal (not external) committee is utilized, composed of USAID, DAI, and the SEEP Network to vet proposals.

The grant review process seems most reasonable, but it should be noted that USAID missions are not routinely queried about individual grant proposals or grantee institutions. Although there are exceptions (such as the 1998 round where capacity-building and innovation pre- and full proposals were vetted with missions), the decision-making process is centralized. It can be argued that the omission of field missions reduces the time and effort involved in reviewing and approving proposals, but it can equally be argued that one of the real strengths of USAID, compared with almost any other donor agency, is neglected. Missions can provide local context and often knowledge of the potential grantee.

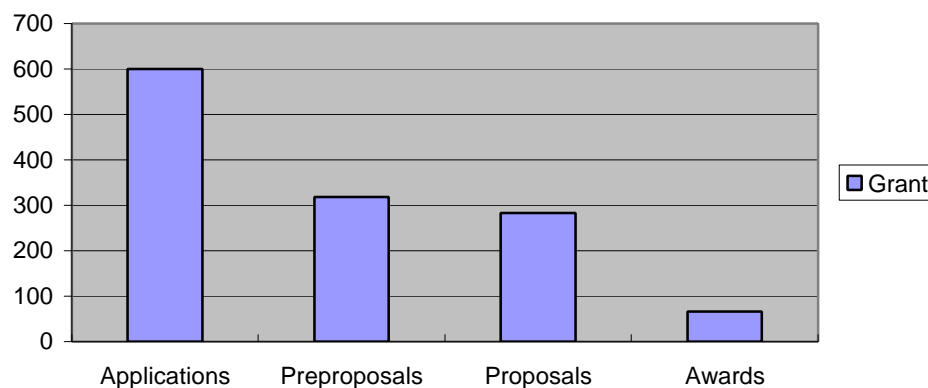
Grant Awards

The standard grant agreements are reasonable given the size and nature of the grants. Grantees do not appear to have problems understanding the purpose of the agreement or have issues with most provisions.

The substantive parts of the grant agreements are Chapters One through Three, and Annex A, which covers the grant amount, the purpose and description of the grant, the grant duration, and the budget. (The monitoring and learning chapters are equally substantive and important but have been ignored to some extent—see chapter below.) The grant agreements were well written, with enough information to cover key elements of the grants but without unduly burdening the agreement with details.

The administrative and financial provisions are limited. Payment is based on a rolling quarterly advance, which is appropriate for the grantee organizations.

Figure 8 shows the extent of MBP grant reviews and awards.

Figure 8: MBP Grant Throughput

Monitoring, Implementation Support, and Feedback and Learning

The MBP grants program intended to place much importance on monitoring, implementation support, and feedback and learning. The accompanying text box demonstrates this point from language in a typical grant agreement. Plans and systems were put in place to provide monitoring and implementation support and feedback/learning. However, these systems and actual practice were often far apart.

Monitoring

Monitoring is essentially carried out by DAI and the SEEP Network through the review of required progress and final reports. A typical capacity-building or innovation grant will require quarterly progress reports, as well as a final report within 90 days after completion of the grant agreement. A typical exchange visit will require a follow-up plan that describes the visit and explains how the grantee will use what was learned. A final progress report for each exchange visit is required within 90 days of termination of the agreement. Most progress and final reports have come in; only 6 percent of the grant files did not contain enough information to know the status of the grants.

As grantee reports are received, DAI forwards the reports to the SEEP Network for review. The plan is that each month both DAI and the SEEP Network are

Monitoring and Learning

"The MBP project has both a funding and a learning mandate. To fulfill this mandate, DAI shall monitor and evaluate the progress of grant activities, and MBP project staff will consult with or visit the Grantee to discuss and participate in grant activities.

"MBP project staff participation will include, but not be limited to, attendance at training events, interviewing participants, reviewing the terms of reference for the network study, and linking the grant activity to other ongoing MBP activities. DAI may also direct MBP project staff to document the findings or products of this grant, including the network strengthening process. After consulting with the Grantee, DAI may then choose to share the information with others interested in microenterprise development. The Grantee agrees to make available to DAI and USAID all grant-related records and documents that may be required.

"To measure the results of the grant activity, the Grantee will implement a monitoring and evaluation plan. The indicators the Grantee will use to measure success and the ways in which it will verify these measurements are described in the proposal and form part of this Agreement."

to discuss the reports received and determine if any follow-up action is necessary. DAI is primarily responsible for follow-up, with the SEEP Network implementing follow-up as needed. Despite this system, only passive monitoring took place. The grant files indicate that only 6 of 66 grants received site visits and only a few others had a substantive communication regarding implementation by the time of this review.

Implementation Support

In some instances, the SEEP Network or DAI provided substantive support. For example, the SEEP Network helped World Vision in Ethiopia strengthen a newly created Ethiopian microenterprise network and Catholic Relief Services prepare a training-of-trainers manual for its internal account toolkit for village banking. DAI assisted the Credit and Development Forum in Bangladesh with critical feedback on the software that was the platform for its capacity-building grant. However, in general little substantive interaction took place with grantees once grant agreements were executed. (There was plenty of administrative and financial support, however.) This observation does not hold, however, for the thematic grants (see below).

Feedback and Learning

Little effort was made to connect grantees with one another and to gather and disseminate lessons learned. At the same time, there were a number of examples where grantees could have learned from and supported one another. A number of grantees expressed the view that this would have been useful for them. Again, this observation does not reflect the thematic grants.

Some of the reasons why so little attention was paid to post-award monitoring and implementation support had to do with the initial program design. The MBP design: (1) did not focus the subject matter beyond the three program categories, (2) kept a wall between the research agenda where technical capacity resided and the grants program, and (3) limited program management costs to 20 percent of the total grant facility costs.

Thematic Grants

The above weaknesses were long recognized by the grants management team at DAI and the SEEP Network. To address these shortcomings, but as important to move to a more strategic approach to MBP microenterprise industry strengthening, DAI and the SEEP Network implemented a thematic approach over the past year. These thematic grants are the Performance Measurement Framework, New Product Development, and Collaborative Learning Program. In each of these instances, there is a common paradigm:

- Define a specific problem (e.g., weak or nascent African national microenterprise networks for the Collaborative Learning Program);

- Provide a tool, product, or report that organizes the exercise (“Guide to New Product Development” to test a framework for creating and testing new microfinance products);
- Provide technical support to all grantees participating in the exercise (e.g., MBP technical advisors Mary McVay, Aly Overy Miehlsbradt, and Tim Canedo for the Performance Measurement Framework);
- Provide opportunities for the grantees to relate to one another, through in-person meetings, virtual discussions, and technical support; and
- Synthesize results and disseminate lessons learned and final products.

Particular limitations on drawing too many conclusions from these thematic grants at this time need to be noted. They are very much in their early stages of implementation, and most of the lessons drawn are from the CLP and PMF programs; the “Guide to New Product Development” has thus far only been tested out in Kenya and is just moving into BancoSol in Bolivia and ProMujer in Peru and Nicaragua at this time.

Thematic Grantee Feedback

- All six CLP grantees responded to the questionnaire.
- Three out of six PMF grantees responded to the survey or were visited.
- The one active NPD grantee was visited.

CHAPTER FOUR

ANALYSIS OF THE GRANT PORTFOLIO AND GRANT FACILITY

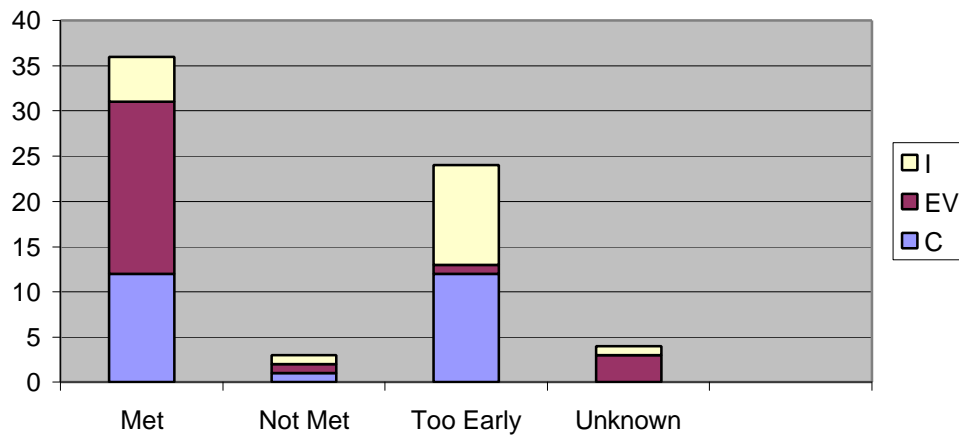
Building upon last chapter's description of the MBP grant portfolio, this chapter analyzes the portfolio from several vantage points. It also examines the performance of individual grants in terms of whether they met the objectives articulated in the grantees' original proposals and reaffirmed in the final grant agreements. It then analyzes the grant facility from the perspective of whether the facility met the performance standards articulated in the DAI contract. This chapter also examines further the extent to which the MBP grants made contributions to the microenterprise field and then moves on to the "process" and draws conclusions with respect to the structure of the grants program.

PERFORMANCE OF GRANT RECIPIENTS

As noted above, each grant agreement had a clear articulation of the specific objectives anticipated from the grant award. This chapter analyzes whether the grant objectives were substantially met—that is, whether the basic intent and actions articulated in the grant agreements were accomplished. For example, the objective of the Credit and Development Forum grant in Bangladesh was to enhance the technical competency of 20 microfinance organizations in a lateral learning network, especially through training and software development and applications. As of late 1999, 20 mid-level Bangladesh microfinance institutions (MFIs) had installed such software, and although small rural MFIs had problems maintaining the system, this study deemed the objective as essentially met. "Not met" implies that the particular grant award substantially did not meet the objectives originally set out in the grant agreement. "Too early" implies that the grant is still under implementation and in a stage where it is too early to judge success. "Unknown" implies that not enough information is available at this time to make a statement one way or the other. A complete accounting of these grants is found in Annex 6.

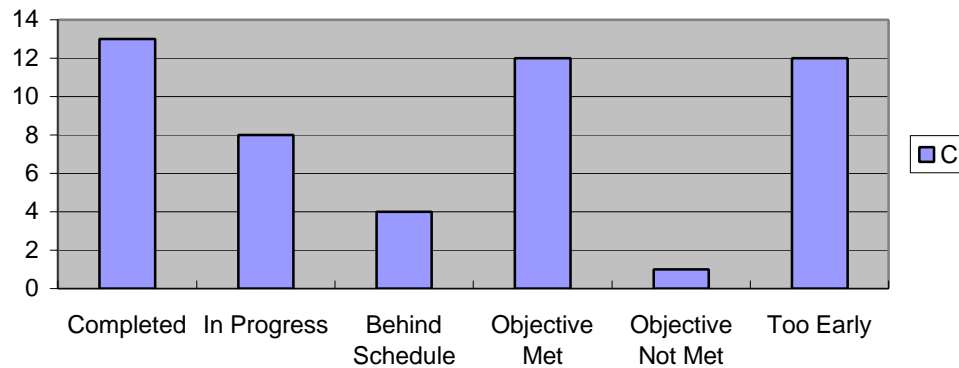
- **The majority of MBP grants have substantially achieved the objectives articulated in their proposals and as reaffirmed in the individual grant agreements.** Of the 67 grants studied, 36 substantially accomplished their stated objectives, while 3 did not. However, 24 grants had not advanced far enough along to make a judgment. It is too early to tell if these grants will achieve their objectives; 54.2 percent are behind schedule, and the remainder are simply progressing as planned. Another four grant files did not contain enough information to make a judgment one way or the other. From a dollar perspective, 52.4 percent of the grants substantially accomplished their stated objectives, 6.5 percent did not, 36.7 percent were too early to know, and the remaining 4.4 percent did not contain enough information to judge.

Figure 9: Achievement of Grant Objectives



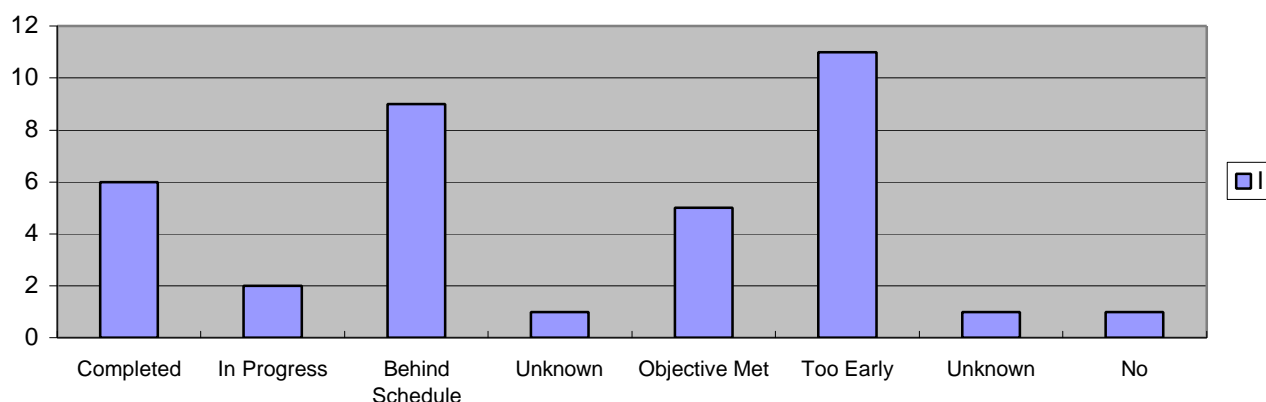
- A large number of capacity-building grants are completed and have achieved their stated objectives. At the same time, the majority of capacity-building grants are still under implementation or are behind schedule, so it is too early to say whether their grant agreement objectives will be realized. Figure 10 illustrates these points.

Figure 10: Capacity-Building Grants: Implementation and Objectives



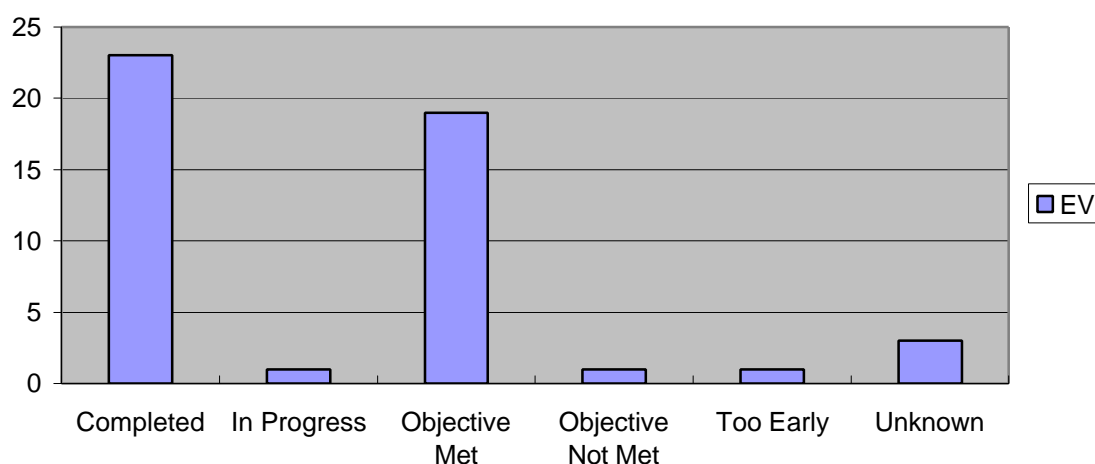
- Some innovation grants are completed and have achieved their stated objectives. At the same time, the majority of innovation grants are still under implementation or are behind schedule, so it is too early to say whether their grant agreement innovation objectives will be realized. Figure 11 illustrates these points.

Figure 11: Innovation Grants: Implementation and Objectives



- **A large majority of exchange-visit grants are completed and have achieved their stated objectives.** Figure 12 illustrates these points.

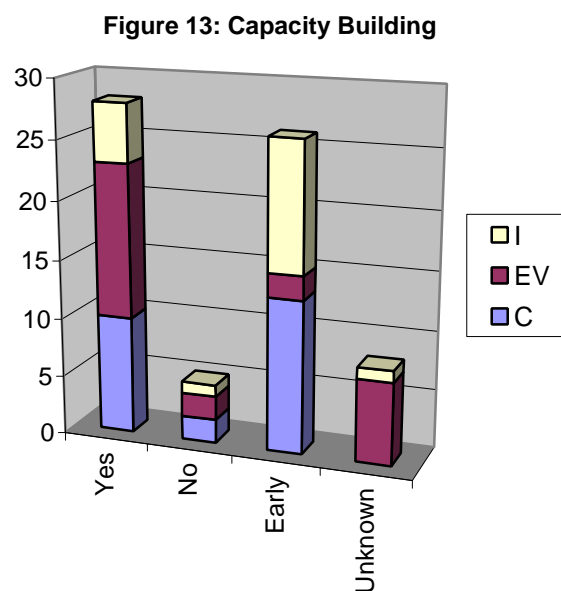
Figure 12: Exchange-Visit Grants: Implementation and Objectives



- **The majority of MBP program grants can be characterized as “one-off” grants—i.e., they are chosen and implemented independently of one another.** Only 16 of the 67 grants had pre-identified common themes with links to MBP’s research agenda and collaboration and information sharing during implementation. Although the grant facility has evolved over the past year, as discussed above, the fact remains that the great majority of grants lacked a coherent program focus as defined here.
- **The plurality of grants contributed to capacity building in the microenterprise industry.** Capacity building is defined as having improved the technical skills and knowledge base of microfinance and microenterprise development organizations, including networks. Some MBP grants contributed to capacity building by creating products and tools that can be used internationally, as seen in this chapter. Other grants contributed to capacity building nationally, such as the World Vision role in Ethiopia.

Still other grants contributed to capacity building in a narrower sense, for a single or small group of institutions in a single country.

Of the 67 grants under study, 28 contributed to some capacity building in the microenterprise industry. Of those having strengthened capacity, 10 were capacity-building grants, but 13 were exchange visits. Five were innovation grants. Five grants did not build organizational capacity for a variety of reasons (such as difficulties of exchange-visit participants in forming a microenterprise network in Tanzania). Twenty-six grants were not sufficiently advanced to make this judgment. Another eight grant files did not contain sufficient information to make a judgment. From a dollar perspective, 46.3 percent contributed to capacity building and 9.3 percent did not; for another 38.4 percent, it was too early to judge.



- **Some MBP grants contributed innovations to the microenterprise industry.** Innovations are defined by MBP as programs, technologies, and methodologies that are new to the microenterprise field and have the potential to improve the delivery of services to microentrepreneurs. Of the 67 grants under review, only 18 were awarded as innovation grants. (This was consistent with the initial MBP grants program intent that assumed larger numbers of exchange-visit and capacity-building grants.) To date, six grants are viewed as having made innovations to the microenterprise industry. These include:
 - Applications of Internet technologies to village handicrafts marketing by PEOPLink that pioneered the use of digital cameras by microenterprise development organizations and created web-based means for retail and wholesale marketing;
 - Establishment of a microfinance rating system for Latin America by MicroRate to standardize evaluation criteria and methodologies to compare MFIs in that region;
 - A follow-on grant to this same organization to publish information pertaining to the rating system on its website and to publish a monograph of findings in Latin America;
 - Piloting of a health insurance scheme for women microentrepreneurs and families in Senegal by Réseau des Caisses d'Épargne et de Crédit des Femmes de Dakar (this and the following grant were early indicators of practitioner interest in health insurance that led to an MBP research program and information dissemination activities to examine insurance products);

- Piloting of health insurance products for Cambodian villages by Groupe de Recherche et d’Echange Technologiques/Ennaten Moulethan Tchonebat; and
- Development of a risk assessment tool to organizations participating in a loan guarantee program in Colombia by EMPRENDAMOS.

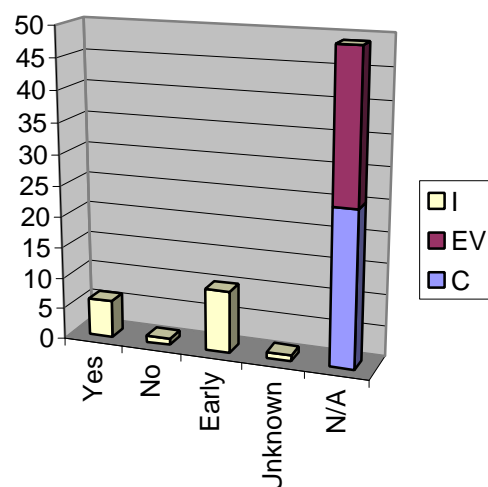
One MBP innovation grant did not result in an innovative product or service. This was the TechnoServe grant that sought to prove that sustainable environmental protection is reinforced when profitable micro and small enterprises are involved—but the TechnoServe grant could not get the enterprise component functioning because of a reversal in the international commodity prices of shea nuts. Another 11 innovation grants are still being implemented or the results are unknown. However, as Figure 14 indicates, the great majority of MBP grants did not have innovation objectives.

From a dollar perspective, only 10.6 percent of all grants were defined as innovation grants. Of these innovation grants, 48.0 percent have achieved some innovation to date.

- **Small grants appear to be a useful means for signaling innovations but by themselves may not sufficient to fully introduce innovation into the microenterprise industry.** A few points should be made with respect to using small grants for innovations.

- First, individual, one-off grants by themselves have not been able to fully introduce and refine an innovation. For example, PEOPLELink and MicroRate both had to obtain additional support beyond the MBP grant listed above.
- At the same time, individual grants can serve as signals highlighting areas of interest to microenterprise practitioners that are deserving of further research, such as the two health insurance grants.
- A longer-term, more concerted effort is required to fully introduce a new innovation in the microenterprise field.

Figure 14: Innovations



PERFORMANCE OF FACILITY AND PERFORMANCE STANDARDS IN CONTRACT

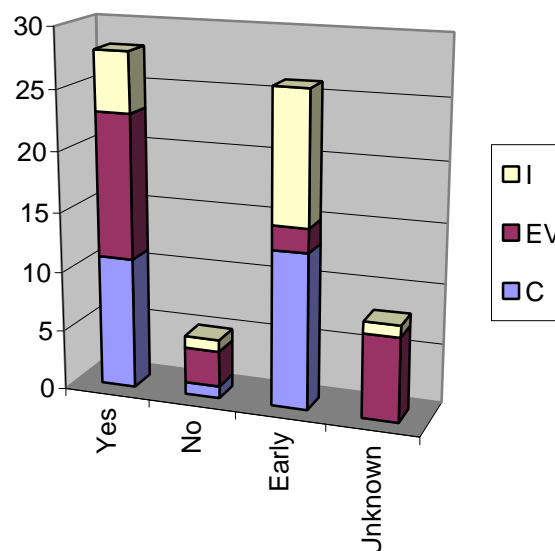
The plurality of grants contributed to satisfying the MBP contract performance standards for the grant facility: “Establishment . . . of effective training and information exchange activities

that are likely to outlive the project, and movement of MSE service institutions towards ‘best practices’ in the field.”

This performance standard is utilized because it is found in the MBP contract. However, judging whether this performance measurement is met is much more difficult and subjective than judging whether individual MBP grant agreement objectives are met (where the expectations are fairly well defined). The author found the phrases “outlive the project” and “movement of MSE service institutions towards ‘best practices’ in the field” to be the most pertinent in judging contract performance. An example of a MBP grant that satisfies this performance measure is the Save the Children grant that produced and widely disseminated a business planning manual for social enterprises. An example of an MBP grant that did not meet this performance measure is the Kenya Post Office Savings Bank exchange-visit grant to South Africa and Zimbabwe to observe microlending. Given that decisions on whether this bank can engage in microlending are outside its authority and control and given that decisions may take some time, the Kenya Post Office Savings Bank grant has not satisfied the performance measure. (The grant proposal did not mention these governance issues, nor were they caught during the proposal review.)

Twenty-eight grants can be said to fulfill these performance standards, while five did not. But the final verdict on the overall grant portfolio is not yet in, since it is too early to assess 26 grants and another 8 lack sufficient information to make a judgment. From a dollar perspective, 48.2 percent of all grants can be said to have met these performance standards, while 7.4 percent did not. It is too early to tell for 38.4 percent of all grants; another 6.0 percent lack sufficient information.

Figure 15: Satisfied Performance Standards



CONTRIBUTIONS TO THE MICROENTERPRISE INDUSTRY

As mentioned earlier, the grants program was originally designed with and presented three broad categories of grants—capacity building, innovation, and exchange visits—instead of taking a more thematic approach to grant making.¹ However, even after programmatic corrections were made to the MBP project in 1999 that removed designed barriers between the MBP research agenda and the grant facility, grants generally fell into six common theme

¹ This chapter deals only with capacity-building and innovation grants.

areas, which are highly correlated to identified trends in microenterprise development.² These themes³ are:

- Microfinance network development;
- Information technology in microenterprise development;
- Ratings, standards, and benchmarking;
- Environment and microenterprise development;
- New product development, including insurance, housing, and other new loan products; and
- Business development services.

Because of the lowering of barriers between research and the grants facility in 1999, MBP made a number of special grant solicitations to field test tools, approaches, and principles being explored by MBP's research arm. These action research-oriented grants were made in the thematic areas of New Product Development and Business Development Services. Under these grants, grantees were provided with both tools and implementation support needed to test the tools.

In this chapter, a closer analysis will be conducted of grants made under the thematic areas, including New Product Development and Business Development Services. The analysis will look at general industry trends, common challenges among the grants, lessons learned that may have wider applicability to the industry, and future challenges. Exchange-visit grants will not be analyzed in this chapter.

Microfinance Networks Development

Since the mid-1990s, a number of international PVOs have fostered and begun to promote the development of both national and international microfinance networks.⁴ The development of these networks has come in response to changing national regulatory requirements for MFIs, the growing concern for MFI operational and financial sustainability, and a move toward the dissemination and incorporation by MFIs of international best practices in microenterprise development. The SEEP Network, ACCION, and Calmeadow Microfinance

² A perusal of websites and conversations with microfinance experts were used to generate a list of "hot" trends in microfinance. Other topical microfinance subjects include HIV/AIDS and microfinance, and the transformation of microfinance organizations into formal financial institutions. MBP did not make grants, per se, in these areas. In addition, although environment and microfinance is not a "hot" trend, MBP made a number of grants in this area, which correlates to a trend toward sectoral linkages being promoted by a number of donors.

³ In some cases, grants overlap a number of themes.

⁴ The term "network" refers here to an associative body made up of member organizations, in this case MFIs.

Network have been at the forefront of this trend, working at both the national and regional levels with networks to:

- Define and promote professional standards;
- Provide a forum to engage in joint research and training;
- Develop and disseminate publications for wider use;
- Share best practices;
- Serve as a communications center on broad sectoral issues; and
- In some cases, encourage the transformation of microfinance organizations into formal financial institutions.

MBP provided nine grants for microfinance network development to eight network grantees in Africa. MBP was encouraged to target African countries, where networks were just starting to emerge from previous programs initiated by the World Bank, U.N. Development Program, and Women's World Banking. Six of the grants were part of a distinct program that sought greater collaboration with the SEEP Network. With these grants, each grantee was provided \$25,000, half of which was to be used for travel to send representatives to SEEP-sponsored network development events and the other half was to be used for activities related to the network challenges agreed upon at the previous SEEP Network annual meeting.⁵ The other two network grants were much larger in scope and funding.

Challenges

National networks identified a number of common challenges, and some focused on meeting these challenges through the use of grant funds by:

- Improving quality of overall MFI services;

Network Grantees in Africa

- ALAFIA, Benin, \$25,000, to participate in the Collaborative Learning Program with SEEP
- AMFIU, Uganda, \$25,000, to participate in the Collaborative Learning Program with SEEP
- CARE , Mozambique, \$79,942, to build capacity of microfinance network (MicroNet)
- CDMR, Nigeria, \$25,000, to participate in the Collaborative Learning Program with SEEP
- JCC, Namibia, \$25,000, to participate in the Collaborative Learning Program with SEEP
- GHAMFIN, Ghana, \$65,000 (two grants), to establish a secretariat and participate in the Collaborative Learning Program with SEEP
- World Vision, Ethiopia, \$88,585, to build capacity of microfinance network (AEMFI)
- ZAMFI, Zimbabwe, \$25,000, to participate in the Collaborative Learning Program with SEEP

⁵ Funded activities had to address the key strategies for network development—vision, capacity, resources, and linkages—that were discussed in the SEEP Network publication “Building Lateral Learning Networks: Lessons from the SEEP Network” and that were part of the work plans the networks submitted to MBP and the SEEP Network.

- Improving the quality of the network’s services, including training, information acquisition and dissemination, engagement in policy discussions with national governments on regulation, supervision and other policy issues, and performance standard setting for MFIs;
- Building resource centers within the network to disseminate information;
- Building local in-house capacity through the training of trainers;
- Strengthening the advocacy and lobbying of member MFIs;
- Assessing needs of MFI members; and
- Developing and providing standards, ratings, and benchmarks for MFIs.

Lessons Learned

Although lessons learned differed slightly from grantee to grantee, a number of common lessons can be gleaned from the experience. One, by partnering indirectly with the SEEP Network, grantees and MBP have gotten “more bang for the buck” through interorganizational synergy. By participating in the program, networks have had greater access to resources provided by SEEP—namely hands-on technical assistance from SEEP managers, best practice information, collaborative learning opportunities with other networks that brought together practitioners from different countries to share experiences, and technical training and participation in topical workshops. The SEEP Network also has benefited from the program by sparking renewed interest in the processes that lead to successful networks. Through MBP’s research arm, SEEP is now developing a conceptual approach for network development based on its own early formative years that may lead to a more general theory of network formation and support.

Second, through this process with SEEP, nascent African networks were exposed to lessons learned from other more mature networks in other parts of the world, including Latin America, Asia, and Eastern Europe, and in South Africa.

Third, because of the short time frame of the grants and the relatively smaller sums of funding available for these activities, results were limited. Overall funds were considered too limited for long-term institutional development, according to the grantees. In this case, the process limited opportunities for further collaborative action-research and new product development initiatives more than it would have if the term of the grant been longer and had grant funding not been tied (e.g., for travel).

Future Challenges

Going forward, networks in Africa and other regions still face significant challenges. As a result of the grant and ongoing activities by the SEEP Network, Calmeadow, and others, tools are being developed to assist new networks in their development. Other challenges to be addressed down the line include:

- Better assessing network member preferences and their willingness to pay for new services;
- Developing appropriate rate structures for network services provided to members;
- Maximizing cost efficiencies and network externalities through collaborative learning; and
- Identifying appropriate donor interventions related to network development that foster sustainability early on.

Just as with individual MFIs, networks will need to focus on becoming more demand driven and demand financed in order to attain long-term sustainability.

Information Technology in Microenterprise Development

Much has been written of late on the impact of the revolution in information and communications technology on the developing world. Many believe this “new age” will allow for leaps in development for poorer countries because they will be able to bridge development divides with better, quicker, and cheaper computer and communications technology. Traditional ways of managing finances and conducting transactions are being replaced by quicker, more reliable, and more user friendly technology. Traditional telecommunications are being replaced by newer, cheaper cellular technology. The Internet and the World Wide Web have opened new channels of communications, new products and services, and new markets for new products. The trend is already having a great impact on microenterprise development, as MFIs and other microenterprise organizations require higher level management information systems to compete, as businesses use it to market and sell their products and services, and as organizations need, use, and wish to disseminate information quicker, further, and more efficiently.

Information Technology Grants

- Credit and Development Forum, Bangladesh, \$73,700, to develop financial software
- Fundusz Mikro, Poland, \$61,500, to develop a risk assessment/credit scoring tool
- MicroRate, USA, \$35,000, to develop a website on its products and services
- PEOPLELink, USA, \$50,000, to promote crafts via the Internet

Challenges

In response to this trend, MBP provided a number of grants to microenterprise institutions to improve a specific information technology-related aspect of their operations. Grants generally fit into two subcategories: software/management information system (MIS) development and website/Internet applications. The challenges that grantees identified were:

- **Software Development**

- Improving internal management information; and
- Increasing MFI efficiency. In the case of one grantee in Poland, Fundusz Mikro, the new software was desired to decrease loan analysis and approval time by adapting concepts of neural networks and self-learning systems to the design of MIS applications. If it works, it will be very interesting.

- **Web/Internet Applications**

- Disseminating information more broadly using the Internet; and
- Using the Internet as a marketing tool and distribution channel for products and services.

Lessons Learned

The lessons learned from these grants were specific to the grants themselves:

- In Bangladesh, the Credit and Development Forum's effort to develop and provide its new software to its members resulted in improvements in performance of the MFI members that used the new software. These MFIs were able to provide more efficient service and were able to complete transactions more quickly; as a result, a number of donors had more trust in the management of these organizations. At the same time, smaller, rural MFIs had problems acquiring the human resources to maintain the new systems.
- The U.S. PVO, PEOPLELink, created an Internet site to market and sell grassroots handicrafts from a wide range of countries, including Bangladesh and Guatemala. PEOPLELink showed that the Internet can be used to provide distance consulting and distance learning to microenterprise development organization. However, its ability to do this was limited by its partners' computer and Internet access, language, and lack of appropriate marketing channels, as well as an e-commerce marketplace has become glutted with similar for-profit handicraft sellers and with deeper pockets than PEOPLELink's social venture.

- At this date, MicroRate was still testing the website it created to share performance data on MFIs. However, managers at MicroRate believe the website will allow for greater dissemination of information about regional microfinance organizations that have undergone evaluations and whose performance is being monitored so as to set benchmarks for the increasingly competitive industry. It will provide basic information on trends in standardization and forward the discussion on best practices in MFI operations.

Future Challenges

The future challenges in the information technology area are many. These challenges include:

- Finding appropriate MISs that can be used by institutions in different regions and countries;
- Identifying technology that can make the provision of financial and non-financial services more efficient and cost-effective, including new uses of computer and cellular phone technology; and
- Determining how best to capitalize on the growing ubiquitous nature of the Internet to strengthen microenterprises and organizations that support them. The possibilities of providing traditional consulting services and learning over the web has already been demonstrated, and the possibilities of village artisans selling internationally have also been demonstrated. How best to benefit from these technologies should be a primary challenge of microenterprise development organizations in the years ahead. How far can microenterprises themselves, as opposed to intermediaries, directly benefit from the growth of the Internet will be another challenge.

Ratings, Standards, and Benchmarking

The use of and agreement on ratings, performance standards, and benchmarking for MFIs have become increasingly important for a number of reasons. First, there is an increased desire by MFIs and even some donors to break the dependence on continued donor funding for loan capital and to start tapping into commercial sources of finance. To do so, MFIs need to be judged on standards and financial data acceptable to commercial investors. Second, in competitive microfinance environments where there is pressure to commercialize microfinance, regulators are looking to ratings and standards as a way to separate mediocre performing institutions from star performers. In some of these environments, MFIs are formal financial institutions, but because of their size they cannot be compared with commercial banks that serve the upper end of the market. Third, investors (social and otherwise) are seeing the changes in the market and are looking at tools to evaluate the increasing number of institutions into which they could invest. Finally, at more basic levels, donors are interested in setting performance standards to provide clear benchmarks and

guidelines to determine future funding for specific MFIs and where support should be targeted.

At the forefront of these activities are a handful of organizations, including PlaNet Finance with its GIRAFE tool, Calmeadow with the Micro Banking Bulletin, and MicroRate with its rating system. A number of national microfinance associations also are working within their countries at the behest of donors and/or financial regulators.

MBP provided grants to two organizations for further work in the ratings and standards area. These two organizations, MicroRate and EMPRENDAMOS, had differing objectives. MicroRate, recognizing that there was little comparable data on MFIs, attempted to standardize evaluation criteria and methodologies. Ultimately, it hoped to use this to rate MFIs and establish a ratings agency comparable to Standard & Poor's or Moody's. EMPRENDAMOS, on the other hand, sought to develop a risk assessment tool that could be used to analyze potential MFI loan guarantee recipients.

Ratings, Standards, and Benchmarking Grants

- MicroRate, USA, \$150,000 (two grants), to establish rating agencies for Africa and Latin America
- EMPRENDAMOS, Colombia, \$37,500, to develop a rating tool to analyze loan guarantee recipients

Challenges

These grantees shared some common challenges. These challenges included:

- Lack of standardized data; ratios and other financial data reported by MFIs were calculated differently depending on the audience; and
- Limited reliable data existed about MFIs that could be analyzed for trends.

Lessons Learned

One lesson learned is that using more standardized data for financial reporting can allow for better analysis and the identification of important trends in the development of institutions and financial markets. The text box below presents some of this analysis performed by MicroRate. Likewise, EMPRENDAMOS found that MFIs in Colombia were using new standards and rankings developed in new financial reports. Government agencies and other donors in country were then able to use these more standardized data to identify national trends and support stronger institutions.

A second important “lesson” was that although the evolution of the market is moving toward more formal, commercialized microfinance institutions, it is not there yet. This means that MicroRate’s desire to create a ratings agency for MFIs such as Moody’s may be premature—there just is not sufficient market development in the industry at this time to justify the rating

approach, primarily because the returns these institutions are making, while high, are still not what typical investors, interested in short-term and quick gains, are interested in.

Finally, in both cases, strong, competitive MFIs tended to be willing to provide financial data for public scrutiny. The prospect of receiving a higher rating provided them with greater access to funding from donors, as well as possible leverage from commercial sources. However, these institutions also recognized the tradeoff of having their data and institutions opened up to outside scrutiny. Weak MFIs were generally unwilling to provide data and undergo evaluations because they did not wish to show their internal weaknesses to their competition and possible funders.

Based on its grant and evaluation of more than 55 institutions in Latin America and Africa, MicroRate identified some interesting trends that may aid in developing concrete benchmarks for MFIs:

- More intense competition has forced MFIs in certain markets to become more efficient and offer lower interest rates to clients.
- There seems to be a direct relation between the degree of MFI formalization (i.e., regulated by the Central Bank, able to take deposits and extend a broader range of financial services) and both its operational and financial strength as an institution.
- There appears to be a direct relationship between the ability to leverage funds and the operational efficiency of an institution. Institutions with higher leverage “ratios” were also found to be more profitable . . . up to a point.
- Increases in efficiency are in part related to growth, but there are no clear economies of scale beyond a certain threshold. Once institutions have reached a portfolio of at least \$2 million, they can be just as efficient as institutions that have loan portfolios of \$70 million.
- In urban markets, group lending has been found to be less efficient than individual lending; it is not necessarily the most cost-effective way to reach clients either.⁶

Future Challenges

Ratings and benchmarking institutions will continue to have a role in moving microfinance more toward commercialization and formalization. Ultimately, this will translate to better financial services for clients. The biggest challenge in this area, however, remains: establishing high standards, high levels of MFI service provision, and high enough returns for true private investment to be made into these institutions.

Environment and Microenterprise Development

Three MBP grants were provided to organizations working to develop microenterprises while addressing environmental challenges in the country. These grants were to:

- Instituto de Promocion de la Economia Social, Peru, \$30,000, to build linkages between and the capacity of microenterprises, public agencies, and NGOs to get involved in recycling;

⁶ At this point, it is unclear whether this claim can be made for rural markets as well.

- TechnoServe, Ghana, \$75,211, to build a model environmental enterprise involved in processing and marketing shea nut butter, as a way to protect endangered elephants; and
- Asia Network for Small-Scale Bioresources, Nepal, \$69,150, to improve the ability of NGOs to deliver BDS to microentrepreneurs in the natural products sector.⁷

Although donors are experimenting more and more with inter-sectoral linkages, such as health emergencies and HIV/AIDS, this particular sectoral linkage is not widely seen as a growing trend.

Challenges

The common challenges of the grants provided were to target and exploit business opportunities for microenterprise in order to address a pressing environmental issue. In addition, all three grants sought to use training and information dissemination as a way to reach their target microenterprise market, and focused on building public-private partnerships and building in special roles for government entities. All grants also dealt with environmental policy constraints to implement their activities.

Lessons Learned

The lessons learned from these environmental grants reiterate some common themes seen in other inter-sectoral programs. First, public-private partnerships take time to foster and need to consider local customs and traditions. Likewise, environmental programs need to consider the natural linkages between microenterprises and larger enterprises for which they often provide services. These linkages can be better exploited in designing interventions and ensuring long-term sustainability.

Future Challenges

Concerns for sustainable development will continue to grow as environmental conditions in developing countries continue to deteriorate. Private sector solutions will be sought and will include reliance on micro and small enterprises for a large share of the solution. However, as these lessons from three MBP grants demonstrate, a holistic approach will need to be taken by working environmental policies, public-private relationships, and synergies between larger and smaller sized firms into program approaches.

⁷ This was also considered a BDS grant.

New Product Development

For the past five years, there has been an increasing interest in developing new credit and non-credit financial products. In the more competitive microenterprise markets, such as in some countries of Latin America and a few in Asia, the development of new financial products has become a means to survival. Competition is not only driving MFIs to provide financial services that are better, cheaper, and more efficiently delivered faster but also driving MFIs to develop new products desired by their customers. In other less competitive countries, MFIs also are responding to outside pressure, but from donors, not from competition. Donors are competing with one another to fund those institutions that show themselves to be more oriented toward achieving results and serving their clients better. Either way, institutions are focused on how to develop new products and what makes sense for their institutions.

In response to the growing need for information, training, and research in this area, some donors and practitioners are taking part in the process to develop demand-responsive microfinance products. The Microfinance Product Development Task Force—made up of representatives of MicroSave Africa (funded by the U.N. Development Program, U.K. Department for International Development, Gesellschaft für Technische Zusammenarbeit, Consultative Group to Assist the Poorest, and USAID’s MBP and Assessing the Impacts of Microenterprise Services (AIMS) Projects—is advocating five primary messages:⁸

- The industry needs to move away from defining itself in terms of microenterprise *credit* and toward providing flexible financial services for the poor.
- Thorough market research is a prerequisite for a quality business plan.
- Investments in proper product development processes make good business sense.
- The industry should move from a supply-driven to a demand-driven industry.
- Not all institutions need to offer all types of products.

This trend of new product development is a positive force for microenterprise clients. New products being tested include loan products for housing and emergencies, lines of credit, savings products, and insurance. MBP’s grant facility has provided a number of practitioners with funds to experiment with the design and launch of new products, particularly insurance. In addition, following some strategic changes in the project, MBP also conducted a special grant solicitation to field test MBP’s “Guide to New Product Development” (developed by MBP’s research arm) in conjunction

New Product Development Grants

- AAC/MIS, USA, \$50,000
- ACCION, USA, \$75,000
- BancoSol, Bolivia, \$29,000
- GRET, Cambodia, \$68,027
- Kenya Post Office Savings Bank, \$30,000
- MicroFinance Network, USA, \$39,500
- ProMujer, Peru and Nicaragua, \$50,000
- RESEAU, Senegal, \$78,600

⁸ Taken from meeting notes of the task force’s February 18, 2000, meeting.

with an institution's launch of a new financial product. In total, eight grants were made to support new product development, three of which went to field test the "Guide to New Product Development."⁹

In more specific terms, MBP funded three grants to test a new product or disseminate information on micro-insurance (AAC/MIS, GRET, and RESEAU). Three additional grants (ACCION, BancoSol, and Pro Mujer) were provided to launch new loan products (pawn loan, line of credit, and poverty loan) and field test MBP's "Guide to New Product Development." One grant was made to launch a new savings product (Kenya Post Office Savings Bank) and field test MBP's "Guide to New Product Development." Finally, one grant (MicroFinance Network) was provided to conduct action research on developing and disseminating guidelines for measuring and monitoring MFI customer satisfaction.

Challenges

Developing new financial products means institutions face similar challenges. These challenges included:

- Assessing whether an institution can sustainably provide new products and services for clients;
- Incorporating new services into the organization's strategic plan, if considered viable;
- Identifying *other* financial needs of microenterprise clients;
- Identifying client risks that might be mitigated by new product development;
- Developing financial products and services appropriate to client needs; and
- Making adjustments to financial products and services, as needed.

Lessons Learned

A number of the grants, particularly those testing the new product guide and launching new products, are still in progress. Of those completed, lessons learned include:

1. It takes significant time to properly assess client needs and limitations (including the ability and willingness to pay for new financial products). If an institution is serious about developing and providing new products to clients, it must be willing to go through a time-consuming process and spend the money needed to do this research properly.

⁹ Only one of the three grants to field test MBP's "Guide to New Product Development" was actively under implementation through August 2000: The Kenya Post Office Savings Bank savings product. The Pro Mujer and BancoSol grants were awarded after March 2000 and implementation was just beginning by August 2000.

Improper assessments often result in more money spent adjusting the product or abandoning it altogether.

2. Institutions need to plan for significant time to design a product, launch and pilot test the new product, and make adjustments. Initial products developed may need to be re-priced, as was the case with GRET's initial health insurance product, or may require changes in the term, requirements, or monitoring.
3. With regard to providing microinsurance, institutions should assess and decide whether it makes more sense to provide insurance themselves or act as an agent for an established commercial insurance provider. In some cases, it makes more sense to seek out-of-house expertise as insurance can be complex and risky if you do not know the business.
4. The provision of insurance requires a strong understanding of local circumstances, such as the healthcare system, life expectancy, maternal health issues, and community organization and leadership. Product design needs to incorporate these factors.

Future Challenges

A recent task force meeting highlighted a number of the ongoing challenges and issues, including:

- Recognizing that proper market research and product development costs money and that MFIs and donors should be willing to invest in it. However, MFIs need to be aware of the key tradeoffs in developing new products.
- Streamlining product development to attract the attention of MFIs, particularly in more competitive environments. There is, however, concern that inexperienced MFIs will always take the "easy road" and product development will not be given the comprehensive and thorough analysis it merits.
- Recognizing that providing tools and doing training in product development with MFIs is not likely to be enough. For more impact, hands-on technical assistance is required, and this too can be expensive.

Business Development Services

Since the mid- to late 1990s, there has been a growing focus on business development services among donors and development practitioners. Traditional donor programs stressing the continuing supply of training and consulting services to target groups through subsidized intermediaries now seems to have undermined (albeit unintentionally) the development of BDS markets. In 1995, a newly created inter-organizational donor committee for small enterprise development began developing the outlines of a new paradigm for BDS, one that gave full attention to the problems of developing BDS markets and facilitating the

intermediation of supply and demand. This new approach started with identifying how the market for BDS was working and then determining how to provide appropriate *market* interventions, depending on the level of development of the market and weaknesses prevalent there. Demand-side weaknesses needed to be addressed with demand-side interventions, and supply-side weaknesses with supply-side interventions.

In addition to this new way of thinking, many members of the donor community that the field needed a way to measure performance across the diverse range of BDS interventions, in much the same way that the microfinance industry had with ratios and rating schemes. BDS presented an even greater challenge than finance because of the diversity of products and services and multiple ways in which BDS is sold, bundled, or embedded in business processes.

Rising to the challenge, donor agencies set out to develop a Performance Measurement Framework that matched this new market orientation and that paid closer attention to the needs of the demand side. The new market-focused paradigm highlighted five basic performance parameters: scale, outreach, sustainability, cost-effectiveness, and impact. The framework was intended to provide indicators that would be useful for:

- Assisting practitioners in assessing and improving their own business development services;
- Identifying better performing programs from which to extract best practices; and
- Establishing performance standards for the industry and funding criteria for donors.

MBP has been at the forefront of these discussions and undertook the development of the first framework. More recently, it has been instrumental in conducting action research through its grants program to test the Performance Measurement Framework as it develops.

Challenges

The MBP project placed a priority on BDS and grants in this area. Of the defined theme areas, MBP awarded 12 BDS grants, half of which were made under a special solicitation to test out the donor-developed PMF.

The first six grants were for:

- Subsector analysis training in Botswana (AFE, \$76,606);
- Carpentry-cum-business skills training in Uganda (Swisscontact, \$80,000);
- Franchised poster-based training for East Africa (Swisscontact, \$26,000);
- Natural products and BDS training in Nepal (ANSAB, \$69,150);

- Training systems for a franchised village banking program in Peru (PROMUC, \$70,000); and
- A business planning manual for social enterprises for global use (Save The Children, \$50,000).

These initial MBP grants faced some common supply-side challenges. These included:

- Designing and delivering effective services;
- Increasing the knowledge of BDS providers in a given subject area so as to better the delivery and quality of BDS;
- Enhancing the ability of BDS providers to price, market, strategize, and manage their cash; and
- Improving the cost effectiveness or efficiency of BDS provision.

The challenges of the second set of grants, namely those focused on testing the Performance Measurement Framework, differed. The challenges of these grantees included:

- Interpreting and applying the PMF framework to their programs and organizations;
- Determining whether it was even possible to develop practical and valid methodologies for selected indicators; and
- Determining whether it was even possible to create generalized performance standards for BDS providers.

PMF Grants—Second Round

- CECI, Nepal, \$10,000
- Conservation International, Guatemala, \$10,000
- FAIDA, Tanzania, \$10,000
- IEDI, Nepal, \$10,000
- SEEDS, Sri Lanka, \$10,000
- Swisscontact Philippines, \$10,000

Lessons Learned

The lessons learned through these MBP grants are noteworthy. First, the grants made in the area of BDS paralleled the trend in the new thinking. The first BDS grants reflected the “old” thinking, focusing predominantly on supply-side mechanisms for dealing with shortcomings of BDS providers. The second set of grants attempted to road test the new demand-side thinking, specifically the new Performance Measurement Framework. Because the early grants were focused on supply, they largely ignored demand and the issues of market development. Only one grantee admitted to using customer surveys and completing a needs assessment of the demand or end user to incorporate into program designs, in this case for

enterprise-based technical training. In contrast, the new paradigm focuses on the client as the end user and how the supply and demand are intermediated.

Second, despite the increasing number of discussions in the industry about *demand-driven* forces leading BDS intervention, there is still some confusion about what this means and might entail in terms of changing the way to intervene to solve problems. In one response to the MBP grant questionnaire, the grantee noted that “establishing a business service center provided a demand-led solution to the problem of lacking business development services.” Clearly, this reflected some misunderstanding about what was meant regarding demand-led approaches.

Third, from grantees that field tested the PMF, lessons are less clear and are still incomplete at this time. A number of grantees felt that the PMF provided good tools for evaluating and monitoring the effectiveness of BDS. Grantees identified the following as successful tools: impact questionnaire development, impact methodology guidelines, field surveys, and marketing tool development. However, grantees also agreed that the framework needs much refining, a view that is shared by MBP and USAID. The underlying logic or basic assumption that the overall market development contributes to the performance needs of small enterprises requires some further analysis and grounding in field research.

Fourth, grantees testing the PMF felt that a performance evaluation system for BDS needed to be developed on two levels. The first level would address basic program evaluation standards that would seek to evaluate common BDS goals (outreach, sustainability, scale, and the like), while the second level would address more specific indicators. One suggestion was made that the PMF be structured into “modules” that correspond to the given BDS goals, because some BDS providers do not have the goal of “developing BDS markets.” (This is a donor goal.) However, BDS providers might be concerned with sustainability.

Fifth, more resources will be required to complete useful, in-depth field research and case studies using the PMF or other performance evaluation models for BDS. MBP grants were small (\$10,000) and allowed for limited testing.

Future Challenges

Future efforts in the BDS area continue to confront challenges. First, the presence of donors will always distort the market to some extent. The challenge is to minimize distortions through appropriately designed projects that focus on the market as a whole, not just suppliers of services. There is also a need for more consensus and collaboration among development agencies. One agency’s programs might undermine the rationale for another’s. Second, unlike microfinance, BDS is a widely defined term encompassing complex relationships. It will be difficult to define sustainability because it deals with multiple levels. We have the sustainability of the consumer or small enterprise, the provider, and the market as a whole. Third and finally, BDS will always be challenged by the development tension between sustainability (especially of suppliers) and outreach to the target group.

Products and Tools

MBP grantees produced a number of products and tools that could be utilized by other microenterprise development organizations. A number of grants were designed specifically to develop a tool, product, and/or report that was felt to have applicability to the wider microenterprise industry. Some other grants, while designed specifically for a particular country and/or institution, produced a product or tool that likewise has applicability across countries and institutions. Table 4 lists the product, the grantee, and a brief description of what each grant is intended to do.

Table 4: Tools and Products Funded by MBP Grant Facility

Product/Tool	Grantee	Description
Managing the Double Bottom Line: A Business Planning Guide for Social Enterprises	Save the Children	Manual to equip BDS practitioners with a business planning tool for market-led social enterprises.
Internal account toolkit for village banks	Catholic Relief Services	Internal account toolkit for village banks drawn from best practices of leading MFIs and pilot tested.
Total Microfinancing Solution (TMS) Software	World Vision, Ethiopia	Software to assist an MFI's MIS.
CDF software products for NGO MFIs	Credit and Development Forum, Bangladesh	Software for microfinance NGOs, including MIS, financial information system, and microbanking system.
PIMA, franchised poster-based training package	Swisscontact Tanzania	Poster-based franchised, business skills training program for village banking programs.
Training course on debt collections	K-REP, Kenya	Best practices course on debt collection under solidarity group lending, in cooperation with East African MFIs.
Natural products business development services manual	Asia Network for Small Scale Bio-resources, Nepal	Manual, targeted to practitioners, incorporates set of business planning tools tailored for natural products sector.
Microfinance Training Institute	Instituto Boliviano de Estudios Empresariales, Bolivia	Training for upper and middle MFI management in Latin America. Training modules include managing growth, business planning, risk management, and regulation and supervision.
Monographs on insurance	Americas Association of Cooperative Mutual Insurance Societies, Worldwide	First, entitled "Insuring Microenterprises" Second, entitled "Impact of Group-Based Insurance Programs in Colombia, Bolivia and Guatemala." Third, entitled: "Insuring Microenterprise Loans: A Primer for MFIs."
Tools for measuring customer satisfaction	The Microfinance Network, Worldwide	A recently awarded grant to develop and disseminate a guide to standards for measuring and monitoring customer satisfaction.
NGO network promoting wholesale marketing of crafts via Internet	PeopLink, Worldwide	Web-based products and organization that permits village craftsmen to market via web.
Rating system, web site and monograph for MFI rating agency	MicroRate	Two grants. First developed and piloted a rating agency facility (MicroRate) for Latin America. Second creates MicroRate website and publishes monograph.
Loan portfolio risk assessment tool	Funduz Mikro, Poland	Still under production, but developing a risk assessment tool to be used by both management and loan officers to alert to increases in risk in institution's outstanding portfolio.
Risk assessment tool to organizations participating in loan guarantee program	EMPREDAMOS, Colombia	Innovative, computerized risk assessment tool to analyze and measure financial health of the MFIs to which it provides loan guarantees.

Of these 14 tools and products, 10 assist MFIs, and the remaining 4 seek to strengthen microenterprise BDS. The “products” themselves range from training courses to manuals, computer software, and publications and reports. A challenge for the remaining time under MBP is to ensure the dissemination of information regarding these products/tools for others to pick up on as they see fit.

GENERALIZATIONS ABOUT DESIGN PRINCIPLES

The rest of this chapter reaches conclusions on the grants management process, based on information in Chapter Three. It also discusses the processes by which thematic grants were administered, takes a look at exchange visits, examines cost-effectiveness issues, and compares the MBP grants program with other small grants facilities.

Grant Making

The overall grant-making process is considered successful. Almost universally, those associated with the MBP grants program found the system to be clear, transparent, fair, efficient, and non-bureaucratic. Aside from the systems, a lot of credit goes to the MBP grants administrator who is uniformly respected for his commitment and responsiveness to the grants program.

- **Grant Solicitations.** The solicitation process was transparent and reasonable in terms of specifying the intent of each solicitation and requiring enough information of applicants to make decisions, without overburdening them with information requirements. A good number of applicants responded to these solicitations.
- **Grant Reviews.** The grant review process is appropriate for the size and nature of MBP small grants. It organizes microenterprise professionals in a reasonably structured grant analysis process, raises fair questions for applicants, and arrives at reasonable decisions based on the information at hand. USAID Office of Microenterprise Development staff also participate in panels. Final decisions are made by the USAID MBP program manager. However, the process could be strengthened by routinely soliciting USAID missions for their views on grants that make it to the final stages.
- **Grant Awards.** The grant agreements are straightforward and clear. The description of the activity is thorough and concise. The administrative and financial procedures work. Amendments are issued as required, overwhelmingly to extend time.

Grant Monitoring, Implementation Support, Feedback, and Learning

In contrast to the efficient grant-making process, less attention was paid to monitoring, implementation support, feedback, and learning. This weakness occurred despite the emphasis placed on these functions in the individual grant agreements. The problems

encountered with monitoring, implementation support, feedback, and learning are detailed in the Chapter Three.

Thematic Grants

Specific findings regarding the thematic grants are as follows:

Collaborative Learning Program. Thus far, these have been the most successful thematic grants. The more successful elements of the CLP are that it:

- Focused networks on collaboration, which fostered the development of relationships;
- Provided a forum to discuss substantive issues facing networks today;
- Broadened the resource pool available to networks for assistance in program implementation;
- Provided models of best and promising network practices;
- Allowed for a capacity-building funding mechanism that specifically targeted network organizations (thus preventing competition with membership); and
- Assisted networks focusing on or re-defining their strategic goals and objectives.

Less successful elements of the CLP are as follows:

- Technology was not used effectively to foster communication and collaboration among networks. The network listserve was not used as much as it had been anticipated over the year. However, the network recognized the importance of this medium for communication and promised to make more use of it as a collaborative learning tool. At the SEEP Network's annual general meeting for 2000, there will be a discussion on the interest and feasibility of a network-focused virtual conference in the near future.
- Because of the short-time frame of the grant, there were no opportunities to strongly pursue collaborative action-research and new product development initiatives.
- Because of relatively small grant awards (\$25,000), approximately half of the grant was used for obligatory travel and attendance to the two SEEP Network annual general meetings and a training workshop in Ghana. This reduced the funding available for individual national microenterprise network strengthening activities.

Performance Measurement Framework. These have been the most professionally challenging thematic grants, with the multidonor dimension adding to the challenge. Grant implementation has been less successful, in part because of a mid-course correction to incorporate other donor input and in part because of communication problems with grantees.

Field testing revealed certain fundamental problems with the PMF. Several implementation details caused frustrations among grantees, such as the listserve breaking down twice and confusion as to which PMF grantees could attend the Hanoi conference. The mid-course decision to refocus the PMF from a field-test to an action-research program has delayed implementation considerably and caused additional frustration and confusion among six committed grantees. Some felt that they were left in the dark about the future of the PMF and their role in it.

New Product Development. Only one NPD grant was being implemented during the study's time frame: Kenya Post Office Savings Bank. Thus, there is not much that can be said given that only one grantee is field testing the guide thus far.

The Experience with Micro-Insurance. In some respects, the MBP experience with micro-insurance turned out to be thematic in approach, although this was not its original intent. Through applications to the grant facility, MBP noticed that field practitioners were interested in micro-insurance. Thus, based on applications received and grants awarded, a research agenda was developed for micro-insurance, two publications were produced, and a third is wrapping up. The three micro-insurance grantees (AAC/MIS, GRET, and RESEAU) provided useful input into the publications. Through MBP's information dissemination component, ACC/MIS made a presentation at the 1998 SEEP Network annual general meeting; research was presented in a Washington, D.C.-based workshop; a field workshop was held in Bangladesh; and MBP is now sponsoring a virtual conference via e-mail. The synergies possible from an integrated approach should be evident.

An Approach to Thematic Grants. Looking more broadly at MBP's thematic approach to microenterprise grants, a number of points can be made at this time:

- Thematic grants may offer a cost-effective alternative to "one-off" grants, which might lead to greater contributions to the global microenterprise industry, and provide a unique role and contribution that the Office of Microenterprise Development can play in relation to the totality of USAID microenterprise programs.
- Thematic grants have built-in mechanisms that alleviate some of the weaknesses experienced with "one-off" grants, in terms of greater monitoring, implementation support, and learning and information sharing among grantees.
- However, it takes a concerted effort to make a thematic grant approach work well. It is far easier to continue with regular solicitations in broad categories, given that the MBP grant-making process works fairly well and the bulk of the work—and risk—lies with practitioners in the field.
- If a decision is made to follow a thematic approach, greater planning needs to take place to avoid the problems experienced by the PMF program. This includes ensuring that products being tested are ready for field trials, electronic communication systems work well, and communications with grantees are clear and continuous. Likewise, greater attention needs to be paid, up-front, to implementation details.

- Longer time frames may be necessary to achieve thematic grant objectives. This is particularly true for the capacity-building requirements of, say, African microenterprise networks or action research programs like the Performance Measurement Framework.
- Two other caveats need to be made. First, ensure that the selected themes are really microenterprise practitioner driven, and not just part of a donor agenda. Consider means of generating field input into the selection of themes. Second, keep the door open for unsolicited proposals for innovative activities that do not exactly fit the thematic approach.

Exchange Visits

Six of the 24 MBP exchange-visit grants were looked at in greater detail to draw lessons learned with respect to the key factors in a successful microenterprise exchange visit. The following grants were reviewed:

- OIC/PRIDE Tanzania exchange visit to South Africa and Zimbabwe to examine experiences in forming a microenterprise network;
- Kenya Post Office Savings Bank exchange visit to South Africa and Zimbabwe to examine the institutional transformation of a savings bank into a microlender;
- World Council of Credit Unions exchange visit of Philippines' credit unions to similar credit unions/cooperatives in El Salvador and Guatemala to improve credit operations;
- Association of Cambodian Local Economic Development Agencies exchange visit to BancoSol in Bolivia to examine the transformation of a microfinance institution into a regulated financial institution;
- Community Development Foundation exchange visit of Nigerian traveling bankers to traveling bankers associations in Benin, Ghana and Togo to examine the formation of traveling bankers associations; and
- ACIDI/VOCA exchange visit of Egyptian Alexandria Association of Home Economics to Jordanian public and non-profit agencies that manage rural cottage industry programs.

These grants represent 25 percent of all MBP exchange visits. They were selected for closer analysis for the following reasons: (1) there was sufficient information available to draw lessons, (2) the first two grantees were visited by the contractor, (3) the Nigerian grantee was visited by the SEEP Network, (4) the WOCCU grant was considered very successful by USAID program managers, and (5) they provide a good regional distribution. The findings are summarized herein.

- Exchange visits can be valuable inputs into a larger microenterprise activity but should not be supported by MBP independently and by itself. The great majority of exchange visits are really capacity-building grants.
- Exchange visits work best when there is an existing, mature organization that seeks to apply the observations of an exchange visit to an existing program or institutional capability.
- Exchange visits are less likely to succeed when they seek to create new institutions because the exchange visit itself is not sufficient to take care of the many laborious and time-consuming steps involved in creating a new institution.
- Exchange visits are also less likely to succeed when they seek to create new programs within existing institutions because a new program may require new legislation and a charter beyond the existing legal authorities of the existing institution and new programs may require a different culture, staff, and operating procedures than the existing institution has.
- Exchange visits benefit greatly from having a facilitator participate in the visit to help relate the observations with the challenges the home institution is facing and to help organize and support follow-up to the visit itself.

Case Study: Greater Horn of Africa Exchange Visit to Uganda

MBP awarded a \$25,000 grant to World Relief to sponsor an exchange visit by Greater Horn of Africa village banking practitioners to Uganda as part of a conference on village banking, held in Rwanda in August 2000. Although the grant was made after the March 2000 date that defined the universe of grants analyzed in this study, the Rwanda exchange visit is worth noting. The “Introduction to Village Banking” conference involved NGO and MFI participants from Rwanda, Sudan, Somalia, Ethiopia, and Eritrea to increase their knowledge of village banking/poverty lending strategies. The conference was an activity of the SEEP Network Poverty Lending Working Group, with World Relief acting as the lead agency. Thirty-five participants attended the conference and took part in the exchange visit, which consisted of nine days in Rwanda and six days in Uganda. Two facilitators accompanied the participants on the site visits. They ensured consistency and uniformity in topics covered on the exchange visits and conference. This activity was co-financed by USAID’s Africa Bureau.

Cost-Effectiveness

The contract that DAI has with USAID permits up to 20 percent of costs to be allocated to management of the grants portfolio. As noted above, this has been used to good effect to put together an effective process for soliciting and making grants. However, monitoring was less successful. It is extremely expensive to visit small grants in the field. Likewise, providing technical support and feedback is also expensive, especially if one-off grants are made. However, these costs can be allocated across grants if (1) field missions get involved in monitoring; (2) technical support is spread across grants with common challenges, as is the

case with the thematic approach discussed above; and (3) research activities are linked to grants with common challenges so that researchers can visit grantees as part of the research agenda.

Leverage and the “Critical Assist”

Small grants are particularly valuable when modest funding leverages other resources, creating a timely “critical assist” that draws in and capitalizes on much greater resources. The MBP grants program has a requirement for a 25 percent counterpart contribution for capacity-building and innovation grants. This contribution can come from the grantee or a third, non-U.S. government party. In some situations, much larger contributions came from other donors or the grantees themselves, thereby highly leveraging the relatively small amounts contributed from the MBP grants facility.

In one instance, the \$50,000 MBP grant to MicroRate was the critical assist allowing the grantee to obtain an additional \$300,000 from the Inter-American Development Bank and the Swiss Agency for Development and Cooperation. Another example was the \$40,000 grant to the Ghana Microfinance Action Research Network, which bridged funding to much larger resources from the Government of Ghana, DANIDA, and the African Development Bank’s AMINA program. In the case of the MBP grant of \$68,000 to GRET for micro health insurance in Cambodia, the grantee contributed \$78,329 as its counterpart contribution. Such opportunities come along occasionally and can best be realized when the grant facility remains flexible. This argues to keep a “window” open for unsolicited proposals and an “ear to the ground” to spot such opportunities.

Comparison with Other Microenterprise Small Grants Programs

Two other grants programs were examined: the Consultative Group to Assist the Poorest’s (CGAP) Pro-Poor Innovation Challenge and the Aspen Institute’s Microenterprise Fund for Innovation, Effectiveness, Learning, and Dissemination (FIELD). The CGAP program is quite small. It just began and recently made its first four awards. The CGAP program seeks innovative proposals from institutions that are focused on assisting hard-to-reach populations with microenterprise services. The Aspen Institute’s FIELD program is a larger research and development fund dedicated to the expansion and sustainability of microenterprise development efforts, especially for poor Americans. FIELD is interesting in its designation of challenge grants that target specific problems and on its focus on learning and disseminating information.

The findings that are most applicable to the MBP small grants program are as follows:

- Both the CGAP and Aspen Institute programs concentrate on relatively defined challenges. For example, one FIELD cluster of grants supported practitioner organizations interested in advancing the effectiveness of their business development training and technical assistance, especially for organizations that are creatively trying to

understand the impact of training and technical assistance on low-income entrepreneurs' skills development, as well as on businesses themselves.

- Both programs also devote considerable attention to learning and dissemination. For example, CGAP visits grant recipient institutions after the awards have been disbursed to study the institution's work and to publish an institutional profile. Moreover, CGAP is utilizing the Internet to disseminate results. The Aspen Institute's FIELD program organizes workshops and issues a publication outlining what was learned from a particular cluster of grants with common challenges.

CHAPTER FIVE

LESSONS LEARNED

This chapter looks more broadly at the lessons learned from managing a global microenterprise small grants program that seeks to encourage “ongoing investments in institutional capacity through learning and information exchange.”

1. A well-designed and -managed global microenterprise small grants program can solicit proposals and make simplified awards to a wide variety of credible microenterprise institutions around the world. Placing grants management under a contract significantly reduces the direct workload for USAID program managers.
2. Technical review panels composed of microenterprise professionals engaged in an appropriate level of analysis of microenterprise grant proposals can identify sound proposals worthy of funding.
3. Under these conditions, funded grants can achieve the (often limited) objectives set forth in the grant agreements. Benefits are much greater, however, when the grants have an “externality” or “public good” feature that benefits the larger microenterprise community, not just one institution or program.
4. At the same time, the importance of a small grants program as being a tool for wider learning is lost unless greater priority and level of effort is placed on monitoring grants, engaging grantees in substantive dialogue, and disseminating results more broadly.
5. A thematic approach may be a more cost-effective means of running a global microenterprise development program. The danger, however, is that the wrong themes will be picked; instead, they will come from what donors see as their needs, as opposed to the real needs and opportunities for breakthroughs coming from the field.
6. Exchange visits are not a useful way to think about making small grant awards. Exchange visits are merely inputs to achieving larger objectives. For example, a network strengthening grant might include an exchange visit, but the basis for approving and monitoring the grant should be to strengthen a national microenterprise network. This is not to imply that exchange visits should not be supported but that they should be treated as inputs to larger grant activities.
7. Likewise, the grant categories of capacity-building and innovation are not clear and focused enough to be meaningful bases for making awards. Greater focus, such as strengthening of microenterprise networks in Africa or innovations in information technology for microfinance programs, would be more useful programmatic guides to making awards.

8. Time frames need to match objectives. The time frames for making many MBP grants were unrealistically short. The majority of grants were not completed in their original time frames. For example, strengthening African national microenterprise networks in a one-year time frame is unrealistic. Innovation grants have been shown to take longer than initially planned to complete
9. Greater gains would have been achieved if USAID field missions had been involved consistently and as a matter of routine. Better proposals would have been identified, monitoring may have been strengthened, and the chance of follow-up enhanced if USAID missions were involved in soliciting and approving proposals, and monitoring grants. (The degree of USAID mission involvement is clearly beneficial but the realities of mission engagement vary considerably and depend on a number of factors, such as size and staffing of individual missions and country assistance strategies.)
10. Microenterprise products and tools can be developed that have value beyond an individual country or microenterprise institution. But plans need to be made early on for ensuring their quality and for disseminating good products and tools to others.
11. Measuring performance of a small grants facility is difficult but can be viewed on three planes: individual grants, thematic grants, and the portfolio as a whole. With respect to individual grants, clear grant agreement objectives, quantified where possible, is essential. With respect to thematic grants, two measures can be used: benefits to individual grantees and benefits to the larger microenterprise industry. With respect to the portfolio as a whole, one needs a clear vision of what is to be achieved before coming up with meaningful performance measures.

CHAPTER SIX RECOMMENDATIONS FOR THE FUTURE

RECOMMENDATIONS FOR THE REMAINDER OF THE MBP GRANTS PROGRAM

For the remaining time in the existing MBP grant portfolio, the focus should switch from new awards to following up on existing awards, providing more implementation support, and disseminating information and lessons learned. The following specific steps are recommended:

1. Convene the panel of technical experts that normally meet to rank new proposals to review this report and the progress and final reports of grantees to come up with an implementation support program for the next six months.
2. Consider small follow-up grants for important activities to be documented and disseminated.
3. Continue to publish MBP products, tools, methodologies, and lessons learned on the Internet.
4. Develop and carry out closeout plans for all outstanding grants, given the short time remaining in the contract, and/or make a decision now to extend the contract so that proper closeout can be pursued.

RECOMMENDATIONS FOR USAID'S NEXT GRANTS PROGRAM

1. USAID should continue with a small grants program under the redesigned Microenterprise Innovations Program. It is a flexible instrument to provide resources and gain outreach.
2. A more strategic small grants program should be considered as USAID redesigns the Microenterprise Innovations Program. The questions of “for what purpose?” and “how does the small grants program fit into larger objectives?” need to be raised and clearly answered. The small grants program should then be designed around limited and concrete objectives.
3. The general approach to soliciting for proposals, reviewing them, and making awards conducted under the present program should be continued. However, get USAID missions involved more routinely. When solicitations go out, routinely ask USAID missions to see that their microenterprise partners obtain copies. When proposals come in, ask missions to review and approve them. Request missions to commit to some degree of monitoring. A second suggestion is to solicit proposals through as many channels as possible. Use MBP's mailing list of more than 2,500 institutions and agencies. Look for

complementary channels, such as the CGAP mailing list. USAID has identified 683 MFIs around the world as partners in its 1998 “Microenterprise Results Reporting Report.” Make sure these microenterprise institutions all receive solicitations.

4. Greater attention should be paid to monitoring, implementation support, assessment, and learning. Build mechanisms into the grant process and individual agreements to make this happen. Insert standard provisions and funded activities in individual grant agreements that require grantees to make products, tools, reports, and learning widely available to others. Withhold final payments, say 10 percent, until they do so. Use the Internet to a greater extent to get lessons learned and communications taking place among grantees, especially those pursuing common objectives. Consider increasing the funding available for this purpose and do not necessarily limit grant administration to 20 percent of total grant costs.
5. A thematic approach to grant making and management should be pursued. Thematic packages would include a clear statement of the problem addressed and the hypothesis for overcoming that problem; multiple grants to various organizations with interest and contributions to make in the defined problem; technical support to interact with this community; communication and collaboration among grantees; and built-in learning and dissemination.
6. The risk of a thematic approach is that it will be driven by donors, not the microenterprise industry. Therefore, design the solicitation process so that microenterprise practitioners have an opportunity to select the themes before issuing formal solicitations. (USAID often uses this approach in its procurement process.) Another way would be to allow unsolicited proposals to come in at any time.
7. A new grants program should move away from the capacity-building and innovation categories for small grants. Likewise, eliminate exchange visits as a separate category.
8. Continue to utilize a contractor to manage a small grants program. However, per USAID contract directives, a small grants program cannot exist by itself and needs to be tied to larger programmatic objectives under the identified contract. Make the case for allowing grants to U.S. organizations beyond the \$25,000 limitation in the present ADS version (ADS 302.5.6, Grants under Contracts).
9. With respect to size of grants, the average dollar amount of MBP grants was \$32,000. This includes exchange visits, which were much smaller than the capacity building and innovation grants. The average size of these latter two categories of grants was \$44,900. A future small grants program should allow, therefore, for grants in the \$10,000 to \$100,000 range.

ANNEX 1
ACRONYMS

ACRONYMS

AGM	(SEEP) Annual General Meeting
AIMS	Assessing the Impacts of Microenterprise Services Project
C	Capacity-Building Grant
CGAP	Consultative Group to Assist the Poorest
CLP	Collaborative Learning Program
CLN	Collaborative Learning Network
DAI	Development Alternatives, Inc.
EV	Exchange-Visit Grant
FIELD	Aspen Institute's Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination
I	Innovation Grant
MBP	Microenterprise Best Practices Project
MFI	Microfinance Institution
MIP	Microenterprise Innovations Project
MSE	Micro and Small Enterprises
NDS	Network Development Services
NGO	Nongovernmental Organization (used in unaffiliated sense)
NPD	New Product Development
PMF	Performance Measurement Framework
PVO	Private Voluntary Organization (used as U.S. or international voluntary organization or local affiliate)
SEEP	Small Enterprise Education and Promotion Network
UNDP	United Nations Development Program
USAID	United States Agency for International Development

ANNEX 2

MBP GRANTS MASTER LIST

MBP GRANTS MASTER LIST

MBP Capacity-Building Grants

Grantee	No.	Amount	Country	Description
Americas Association of Cooperative Mutual Insurance Societies	MBP-003	\$50,000	USA	Hold two workshops in Latin America to disseminate information on insurance services
Save the Children	MBP-005	\$50,000	USA	Refine a training curriculum on business development for women entrepreneurs
Catholic Relief Services	MBP-006	\$50,000	USA	Develop an internal account management toolkit to increase internal account management capacity in village banks
Calmeadow	MBP-007	\$50,000	Canada	Establish a microfinance policy training institute in Santa Cruz, Bolivia, for microfinance organizations worldwide
Instituto de Promocion de la Economia Social	MBP-013	\$30,000	Peru	Build capacity of microenterprises, public agencies, and NGOs involved in recycling in metropolitan Lima, Peru
Action for Enterprise	MBP-021	\$76,606	Botswana	Build capacity of SEPROT, a microenterprise network in Botswana, to design and implement subsector-based business development services
World Vision, Inc.	MBP-023	\$88,585	Ethiopia	Build institutional and technical capacity of microfinance network in Ethiopia
Credit and Development Forum	MBP-025	\$73,700	Bangladesh	Conduct training and capacity-building activities in enhanced competency of microfinance NGOs.
Consorcio de Promocion de la Mujer y la Comunidad	MBP-028	\$70,000	Peru	Develop and implement a training program for its franchised community bank program
CARE Intl	MBP-033	\$80,000	Mozambique	Provide training and information exchange services to MFIs in national microenterprise network
Swisscontact Uganda	MBP-034	\$80,000	Uganda	Build capacity of five institutions to conduct enterprise-based technical training (EBT) for small-scale carpenters
Swisscontact Tanzania	MBP-035	\$26,000	Tanzania	Develop and sell a franchise business training package to eight MFIs doing group lending
Ghana Microfinance Institutions Network	MBP-037	\$40,000	Ghana	Establish a permanent network secretariat for this active network with 38 institutional members
Themban International Guarantee Fund	MBP-038	\$65,000	South Africa	Launch "Leveraging Impact with Financial Tools (LIFT)" program to develop the capacity of 50 MFIs to plan for, secure, and utilize commercial credit
K-REP	MBP-039	\$87,163	Kenya	Document and develop training

Grantee	No.	Amount	Country	Description
				materials on successful debt management systems and strategies based on the experience of five leading MFIs
Asia Network for Small-Scale Bioresources	MBP-041	\$69,150	Nepal	Improve the capacity of NGOs in Nepal to deliver business development services to microentrepreneurs in the natural products sector
Instituto Boliviano de Estudios Empresariales	MBP-042	\$50,000	Bolivia	Establish an international microfinance training program for MFIs in Latin America
Catholic Relief Services	MBP-046	\$39,500	USA	Edit internal account toolkit for village banks and translate it into Spanish and French (follow-on grant to MBP-006)
Ghana Microfinance Institutions Network	MBP-053	\$25,000	Ghana	Participate in Collaborative Learning Program for Microenterprise Networks in Africa
Association of Microenterprise Finance Institutions in Uganda	MBP-054	\$25,000	Uganda	Participate in Collaborative Learning Program for Microenterprise Networks in Africa
Joint Consultative Committee	MBP-055	\$25,000	Namibia	Participate in Collaborative Learning Program for Microenterprise Networks in Africa
Consortium ALAFIA	MBP-056	\$25,000	Benin	Participate in Collaborative Learning Program for Microenterprise Networks in Africa
Zimbabwe Association of Microfinance Institutions	MBP-057	\$25,000	Zimbabwe	Participate in Collaborative Learning Program for Microenterprise Networks in Africa
The MicroFinance Network	MBP-068	\$39,500	USA	Conduct action research with a working group of network members to develop and disseminate standards for measuring and monitoring customer satisfaction
Community Development and Microfinance Roundtable	MBP-069	\$25,000	Nigeria	Participate in Collaborative Learning Program for Microenterprise Networks in Africa

MBP Exchange-Visit Grants

Grantee	No.	Amount	Country	Description
World Vision Relief and Development	MBP-001	\$10,000	USA	Sponsor visit of affiliates in Ethiopia, Tanzania, and Uganda to K-REP to learn about K-REP's lending model
TSPI Development Corporation	MBP-002	\$10,000	Philippines	Visit ADEMI in the Dominican Republic to examine its individual lending program
Volunteers in Technical Assistance	MBP-009	\$11,930	Guinea	Visit ACEP in Senegal and CCEI in Cameroon to examine program expansion and institutional transformation issues
Catholic Relief Services, Egypt	MBP-010	\$6,960	USA	Visit Freedom from Hunger in Ghana to learn about the "Credit with Education" methodology
FONDESPOIR	MBP-011	\$5,000	Haiti	Visit MEDA's Prisma project in Bolivia to see how Prisma has achieved financial self-sufficiency
Centro de Promocion y Empleo para el Sector Informal Urbano	MBP-012	\$6,000	Ecuador	Visit organizations assisting recycling microenterprises in Bolivia and Costa Rica to examine recycling and credit methodologies
Larry Jones International Ministries Inc. d/b/a Feed The Children	MBP-014	\$10,895	USA	Sponsor visit of affiliates in Ethiopia, Kenya, and Uganda to RUTEC and Get Ahead Foundation in South Africa to examine MSE credit and training programs
Pwogram Fomasyon Pou Organizasyon Dyakona	MBP-015	\$9,355	Haiti	Visit four MFIs in Honduras to learned about their experiences in promoting savings and training community bank managers
Get Ahead Financial Services	MBP-016	\$5,440	South Africa	Visit BancoSol and PRODEM in Bolivia to examine their lending methodologies and BancoSol's experience in transforming into a commercial bank
Opportunity International -Russia	MBP-017	\$8,400	Russia	Visit BancoSol in Bolivia to examine BancoSol's credit program and its experience in marketing in financial services
ACDI/VOCA	MBP-018	\$6,505	Egypt	Sponsor visit of Alexandria Association of Home Economies to General Union of Voluntary Societies in Jordan to examine regional models of local management in microfinance programs
Association of Cambodian Local Economic Development Agencies	MBP-019	\$4,252	Cambodia	Visit BancoSol and PRODEM in Bolivia to examine their lending methodologies and BancoSol's experience in transforming into a commercial bank
BEES TRUST	MBP-020	\$9,700	South Africa	Sponsor jointly with the Centre for Social and Development Studies a visit to/from Kenya to explore inter-firm linkages and technology transfer and develop a program for action
OIC International	MBP-031	\$14,910	Tanzania	Sponsor jointly with PRIDE Tanzania a

Grantee	No.	Amount	Country	Description
				visit to AMEDP in South Africa and ZAMFI in Zimbabwe to examine experience of forming a microenterprise network
Lift Above Poverty	MBP-032	\$7,718	Nigeria	Visit Grameen Bank in Bangladesh to examine Grameen's loan tracking and monitoring system, its program evaluation procedures, and its banking operations
Community Development Foundation	MBP-036	\$10,000	Nigeria	Organize an exchange visit to Benin, Togo, and Ghana to examine and share experiences with associations of travelling bankers
General Union of Voluntary Societies in Jordan	MBP-040	\$6,340	Jordan	Visit CRS/Egypt to examine CRS's Village Banking Umbrella Model and its on-lending approach, which involves a second-tier institution
ANERA	MBP-044	\$10,000	West Bank/ Gaza Strip	Facilitate visit by Gaza Women's Loan Fund to the Alexandria Business Association to examine its lending methodology and receive technical assistance
Consortium ALAFIA	MBP-045	\$10,000	Benin	Visit the Alliance of Microenterprise Development Practitioners in South Africa to examine and share experiences in network development
World Council of Credit Unions	MBP-047	\$26,049	Philippines	Facilitate visit by five Filipino credit unions to Calpia and CRECER in El Salvador and FENACOAC in Guatemala to examine model credit union development
Kenya Post Office Savings Bank	MBP-051	\$9,991	Kenya	Visit Rural Finance Facility and Nubank in South Africa and the Commercial Bank of Zimbabwe to examine and share experiences in institutional transformation
CARE-WEDCO	MBP-052	\$16,710	Kenya	Visit BancoSol and PRODEM in Bolivia to examine and share experiences in institutional transformation, expansion, and new product development
PRISMA	MBP-064	\$3,500	Peru	Visit Calpia in El Salvador to share and exchange experiences in developing new financial products for rural clients
Aid to Artisans Ghana	MBP-065	\$7,000	Ghana	Visit Southern Highland Craft Guild in North Carolina to examine and share experiences in craft retail operations

MBP Innovation Grants

Grantee	No.	Amount	Country	Description
PEOPLink	MBP-004	\$50,000	USA	Test the viability of establishing a network of NGOs promoting the wholesale marketing of crafts via the Internet
PrivateSector Initiatives Foundation (now MicroRate)	MBP-008	\$50,000	USA	Field test a rating system with 15-20 MFIs in Latin America
Fundusz Mikro	MBP-022	\$61,500	Poland	Develop and test a loan portfolio risk assessment tool
Reseau des Caisses d'Epargne et de Credit des Femmes de Dakar	MBP-024	\$78,600	Senegal	Pilot a health insurance scheme for women microentrepreneurs and their families
Groupe de Recherche et d'Echange Technologiques-Antaeon Moulethan Tchonebat	MBP-026	\$68,027	Cambodia	Pilot health insurance products in 20 Cambodian villages
TechnoServe	MBP-029	\$75,211	Ghana	Establish a working model of an environmental enterprise involved in processing and marketing shea nut butter
EMPRENDAMOS	MBP-030	\$37,500	Colombia	Develop and apply a risk assessment tool to organizations participating in loan guarantee program
Private Sector Initiatives Corporation (now MicroRate)	MBP-043	\$35,000	USA	Develop a website for its rating agency project and publish a monograph using the comparative financial data from the participating MFIs
BancoSol	MBP-048	\$29,000	Bolivia	Field test MBP's "Guide to New Product Development" with a housing product
ACCION	MBP-050	\$75,000	USA	Implement a line of credit product with Mibanco in Peru
Industrial Enterprise Development Institute	MBP-058	\$10,000	Nepal	Participate in BDS Performance Measurement Framework (PMF) field test
SEEDS (Guarantee) Ltd	MBP-059	\$10,000	Sri Lanka	Participate in BDS PMF field test
Canadian Centre for International Studies and Cooperation	MBP-060	\$10,000	Nepal	Participate in BDS PMF field test
Conservation International	MBP-061	\$10,000	USA	Participate in BDS PMF field test
Swisscontact Philippines	MBP-062	\$10,000	Philippines	Participate in BDS PMF field test
FAIDA	MBP-063	\$10,000	Tanzania	Participate in BDS PMF field test
Kenya Post Office Savings Bank	MBP-067	\$30,000	Kenya	Participate in MBP's "Guide to New Product Development" field test
Pro Mujer	MBP-072	\$50,000	Peru and Nicaragua	Participate in MBP's "Guide to New Product Development" field test

ANNEX 3

MBP GRANT FACILITY QUESTIONNAIRES

MBP GRANT FACILITY QUESTIONNAIRES

The following are the questionnaires sent out to each capacity-building, exchange-visit, and innovation grantee.

EXCHANGE-VISIT GRANTS

Dear Grantee:

Your organization was awarded an Exchange Visit Grant by Development Alternatives, Inc. under the U.S. Agency for International Development-supported Microenterprise Best Practices (MBP) Project. The purpose of the grant was to increase understanding of successful microenterprise development practices through information sharing and exchange.

As the project enters its fifth and final year, we are conducting a study of the grants program to:

- (a) Extract important results and lessons that would benefit the microenterprise community at large and inform MBP's current research agenda; and
- (b) Provide recommendations for USAID on ways to design future grant programs under contracts.

Our methodology calls for a survey of all grant recipients to better understand your experience with the grants program. Specifically I would greatly appreciate your taking a few moments to answer the following questions and sending them back to us. Be as specific and frank as possible as your experience will serve to improve future programs and contribute to improving the microenterprise development field.

1. What specific practices did you learn and apply by participating in the Exchange Visit?
2. Have these practices improved your institution's capacity to better serve your clients? If so, how?
3. What did you learn that would benefit other organizations serving microenterprises?
4. What elements of the Exchange Visit were more successful and what were less successful?
5. What changes should be made to make Exchange Visits -- and the learning gained -- more effective?
6. What other comments or anecdotes do you have to provide us with greater insight into the program?

Please send your responses within two weeks directly to the MBP small grants researcher, Steve Mintz, by fax at 703-503-0002; or by e-mail at globetec@ix.netcom.com. Steve will also be glad to answer any questions you may have regarding this study. Please also copy me on your responses so we can ensure that your responses are received and fully considered.

Our methodology calls for a more intensive examination of 20% of all grantees, so you may be called upon later as part of this study.

I want to end by expressing my appreciation for having worked with you in this very exciting Microenterprise Best Practices grants program.

Sincerely yours,

Jimmy Harris
MBP Grants Administrator
Development Alternatives Inc.

CAPACITY-BUILDING GRANTS

Dear Grantee:

Your organization was awarded a Capacity-Building Grant by Development Alternatives, Inc. under the U.S. Agency for International Development-supported Microenterprise Best Practices (MBP) Project. The purpose of the grant was to develop or improve technical skills and long-term capacity to carry out effective field-based training and information exchange activities.

As the project enters its fifth and final year, we are conducting a study of the grants program to:

- (a) Extract important results and lessons that would benefit the microenterprise community at large and inform MBP's current research agenda; and
- (b) Provide recommendations for USAID on ways to design future grant programs under contracts.

Our methodology calls for a survey of all grant recipients to better understand your experience with the grants program. Specifically I would greatly appreciate your taking a few moments to answer the following questions and sending them back to us. Be as specific and frank as possible as your experience will serve to improve future programs and contribute to improving the microenterprise development field.

1. What specific improvements in technical capacity and know-how has your organization - and the other organizations participating in the activity - made as a result of the Capacity Building Grant?
2. Have these improvements affected service delivery among the organizations participating in the Capacity Building Grant? If so, how?
3. What contribution to the larger microenterprise community has your Capacity Building Grant made? What products, tools, or learning came out of the Grant that could benefit other organizations?
4. What elements of the Capacity Building Grant were more successful and what were less successful?
5. What changes should be made to the Capacity Building Grant Program so that it is more effective?
6. What other comments or anecdotes do you have to provide us with greater insight into the program?

Please send your responses within two weeks directly to the MBP small grants researcher, Steve Mintz, by fax at 703-503-0002; or by e-mail at globetec@ix.netcom.com. Steve will also be glad to answer any questions you may have regarding this study. Please also copy me on your responses so we can ensure that your responses are received and fully considered.

Our methodology calls for a more intensive examination of 20% of all grantees, so you may be called upon later as part of this study.

I want to end by expressing my appreciation for having worked with you in this very exciting Microenterprise Best Practices grants program.

Sincerely yours,

Jimmy Harris
MBP Grants Administrator
Development Alternatives Inc.

INNOVATION GRANTS

Dear Grantee:

Your organization was awarded an Innovations Grant by Development Alternatives, Inc. under the U.S. Agency for International Development-supported Microenterprise Best Practices (MBP) Project. The purpose of the grant was to test and explore innovative programs, technologies, and methodologies to serve microentrepreneurs.

As the project enters its fifth and final year, we are conducting a study of the grants program to:

- (a) Extract important results and lessons that would benefit the microenterprise community at large and inform MBP's current research agenda; and
- (b) Provide recommendations for USAID on ways to design future grant programs under contracts.

Our methodology calls for a survey of all grant recipients to better understand your experience with the grants program. Specifically I would greatly appreciate your taking a few moments to answer the following questions and sending them back to us. Be as specific and frank as possible as your experience will serve to improve future programs and contribute to improving the microenterprise development field.

1. What specifically did your organization do and learn regarding the innovation you tested?
2. Have these innovations improved your organization's support to microenterprises? If so, how?
3. What did you learn that would benefit other organizations attempting the same innovation?
4. What elements of the Innovations Grant were more successful and what were less successful?
5. What changes should be made to the Innovations Grant Program to make it more effective?
6. What other comments or anecdotes do you have to provide us with greater insight into the program?

Please send your responses within two weeks directly to the MBP small grants researcher, Steve Mintz, by fax at 703-503-0002; or by e-mail at globetec@ix.netcom.com. Steve will also be glad to answer any questions you may have regarding this study. Please also copy me on your responses so we can ensure that your responses are received and fully considered.

Our methodology calls for a more intensive examination of 20% of all grantees, so you may be called upon later as part of this study.

I want to end by expressing my appreciation for having worked with you in this very exciting Microenterprise Best Practices grants program.

Sincerely yours,

Jimmy Harris
MBP Grants Manager
Development Alternatives Inc.

ANNEX 4

**STEVE MINTZ TRIP REPORT: MBP GRANTEES IN TANZANIA,
KENYA, AND UGANDA (JUNE 1-21, 2000)**

STEVE MINTZ TRIP REPORT: MBP GRANTEES IN TANZANIA, KENYA, AND UGANDA (JUNE 1-21, 2000)

A. Tanzania, MBP-031, Exchange Visit Grant to Opportunities Industrialization Centers International. Budget: \$14,910.

Grant Objectives. OICI's Tanzanian affiliate visit to microenterprise networks in South Africa and Zimbabwe to examine experiences in forming a microenterprise network and developing strategies for serving network members. Specific interests were:

- Building standards among microenterprise institutions;
- Providing services in capacity building to network members;
- Providing advocacy in policy reform;
- Developing strategies for membership recruitment and a membership database;
- Creating an appropriate venue for identification of client needs; and
- Sustainable programming and expansion strategies.

Visit to the Alliance of Microenterprise Development Practitioners (AMEDP) in South Africa and the Zimbabwe Alliance of Microfinance Institutions (ZAMFI) in Zimbabwe for approximately seven days each. During these visits, participants were also to meet with individual members of these networks to obtain their views, and begin to develop a strategic plan for establishment of the Tanzanian Network of Microenterprise Organizations. Two OIC Tanzanian participants were Messrs Altemius Millinga, National Executive Director, and Patrick Ndimbo, Training Coordinator; and Mr. Elias Ntambi, regional manager of PRIDE Tanzania.

The trips took place on November 21-December 3, 1999. (Mr. Millinga also attended the annual meeting of AMEDP in South Africa between October 25-27, 1998). Thorough reports on the learning exchange were prepared and are on file. The reports provide background information on the grant, describes what was achieved during the visit, elaborates on lessons learned and outlines a strategic plan for future implementation of the Alliance for Microenterprise Practitioners in Tanzania.

Field Trip. I met with Messrs Milinga and Ndimbo on June 10 and spoke with Mr. Ntambi over the phone from his Arusha office on June 13. All were very generous with their time and views.

Findings are as follows:

1. The report submitted by OIC Tanzania is very complete and will not be repeated here. The report analyzes the South African and Zimbabwean network organizations and reaches conclusions on implications for Tanzania. The report also outlines a strategic plan for creating a microenterprise network in Tanzania and includes a draft constitution for the Tanzania Forum for Micro Finance and Enterprise Development. The plan has

been to create a network for both microfinance and business development service organizations. Clearly, the participants took an active part in following up on what they learned during their exchange visit.

2. Participants. Subsequent to the visit, Mr. Milinga left OIC Tanzania in January, just one month after the exchange visit. He is now executive director of Cemide Trust. (Interestingly, OIC Tanzania's new executive director is the former chief implementor for Swisscontact's Tanzania MBP capacity building grant.) The other two participants are still with their respective organizations. However, Mr. Ntambi was transferred from Dar es Salaam to Arusha since the visit, so has not been able to play an active role in creating a Tanzanian microenterprise forum. Thus, the ability of the team to carry forth on the microenterprise network has been diminished by changes in positions and locations.
3. Of the two countries visited, the Tanzanian participants clearly favored the South African visit. AMEDP was much more established, with full time staff to spend the time hosting the Tanzanian participants. In contrast, the Zimbabwean counterparts in ZAMFI had no office employees. ZAMFI managers were busy with their primary responsibilities.
4. Since the Exchange Visit took place, the Tanzanian Forum had one program event in April. There are seventeen active members of the Forum, although it is still not formally registered. (Potential size is about 100 microenterprise organizations in Tanzania.) One problem the Forum has faced is that it has no staff to follow-up and create programs and events. However, the Forum has just recruited a newly-retired UNDP official, who will work part time (20%) to get the Tanzania Forum operational.
5. At the same time, a new microenterprise network was created in Tanzania, TAMFI. This network focuses on microfinance only, but has a constitution and has appointed an interim board. It is unclear whether the Tanzania Forum, if established, will work in parallel, or merge with TAMFI.
6. The participants were very pleased with the processes and support provided by MBP/DAI. They found the process clear, transparent, straightforward and efficient. MBP/DAI was very supportive. The one suggestion is that exchange visits coincide and permit attendance at microenterprise events/conferences, such as the annual meeting in South Africa that Mr. Milinga attended.
7. The Tanzania Forum would be interested in receiving literature/support from SEEP if possible. (I passed this information to Dana DeKanter at SEEP already.) Clearly microenterprise institutional network is in the very formative stages in Tanzania and a little guidance from SEEP would be very timely and potentially useful.

Lesson Learned: This is an example of a good proposal, a clear exchange visit agenda, a well-written and documented report, and some follow-up; but then external events that may have derailed the purposes behind this grant. It is also an example where a theme, like the SEEP network program, might be supportive.

B. Tanzania, MBP-063, Grant to Finance and Advice in Development Assistance (FAIDA) for a Performance Measurement Framework (PMF) Field Test.
Budget: \$10,000.

Grant Objectives. FAIDA applied for and received a PMF grant in December, 1999. The objective is to develop and test practical and valid tools and techniques for measuring the performance of business development services programs. The grantee is responsible for reviewing the PMF and commenting on its applicability; reviewing the tools developed by technical experts and forming a consensus with other participants on what standard tools to use; collecting/reporting the baseline data using the tools; collecting/reporting performance data using the tools; participating in in-person workshops; providing data and information for the final MFP manual; and reviewing/commenting on the final manual.

Field Trip. FAIDA is a Dutch supported NGO working on enterprise development in Arusha, Tanzania. They created a private company to deliver business skills training to micro and small entrepreneurs in the Arusha region. FAIDA also uses several other training providers to upgrade micro and small entrepreneurs. FAIDA therefore is interested in the PMF framework to help evaluate how effective these several business skills training providers are so they can better channel their funds.

Although FAIDA is located in Arusha, I met with Henri Van Der Land, Project Coordinator, in Dar es Salaam on June 14. I communicated with their Arusha office the week before and was sent via email their June 2000 report on the Baseline Survey conducted for the PMF. This report is the result of assessing BDS customers. It focuses on non-farmer entrepreneurs who benefited or are about to benefit from FAIDA BDS services, mostly business training. One of the conclusions of this report is that it is very doubtful if impact can be measured by changes in the data collected, which FAIDA asserts is also a concern of others participating in the virtual conference on this subject.

Findings are as follows:

1. FAIDA was very satisfied with the earlier stages of the PMF. FAIDA appreciated the dialogue and discussion when the overall PMF conceptual framework was developed. There was a good exchange of information, and the status of discussions was often summarized.
2. The implementation stage has been more problematic. The listserve has now broken down twice. It was difficult to forward the above-referenced baseline report because of its size, 4 MB.
3. FAIDA sent in its baseline report but has not received feedback. FAIDA also doesn't know how others found the baseline survey. FAIDA would like to learn how others are faring on the PMF test and benchmarks.

4. FAIDA was not able to attend the Hanoi conference and apparently there was some confusion whether they could attend and who would pay for it. The next time there is such a conference, be clear up front who can and cannot attend.
5. FAIDA doubts whether the PMF will come up with many reliable impact indicators. Henri feels that the "garbage in-garbage out" syndrome may apply here. There is too much focus today on quantitative data, which is extremely hard to get. Getting business financial information is extremely difficult here. Most SMEs have separate accounts for each line of business.
6. Another issue is that the size of the grant is very small. FAIDA has used its own funds to get to where they are today. The baseline was expensive. The actual costs of participating may come closer to \$20,000 by the time everything is done.
7. Instead of having a physical meeting as part of PMF, Henri believes more benefit would come from PMF participants visiting with each other. They can learn more by observing each others activities on the ground, not in an academic and abstract setting, which characterizes meetings.
8. Despite these many concerns, FAIDA is glad they are participating in this exercise. It directly relates to their own needs; assessing the effectiveness of business skills training providers. While the baseline and impact surveys may not provide overly reliable data, there is a lot that FAIDA is learning.
9. FAIDA likes the thematic approach to the grants program. The problem has been in implementation.

Lessons Learned: The concept of having a theme and working across institutions in a learning mode is very attractive. At the same time, smooth implementation is critical.

C. Tanzania (plus Kenya and Uganda), MBP-035, Grant to Swisscontact Tanzania to develop and franchise a poster-supported series of business training sessions for members of credit groups. Budget: \$26,000.

Grant Objectives. Swisscontact Tanzania (SCTZ) received the subject grant in March 1999. Under the grant, SCTZ will develop and franchise a business training package for microentrepreneurs. The training package is to be franchised to microfinance institutions in East Africa that offer business training to their clients who are members of credit unions. SCTZ planned on selling approximately eight such franchises, which in turn would train about 10,000 microentrepreneurs.

The plan was to develop a six-part training package, called PIMA. The package is to include a manual on training management, a manual on training delivery, a full set of training materials, a five day training-of-trainers course, a two-day training-of-training managers course, and four days of technical assistance and support by SCTZ.

The original proposal had PIMA developing and field testing in Morogoro, Tanzania. However, due to changes in personnel, the work was reassigned to the Swisscontact regional headquarters in Nairobi, Kenya.

Field Trip. The original plan was to visit Swisscontact in Morogoro. However, because PIMA work is all being performed in Nairobi, a separate trip to Kenya was arranged. While in Dar es Salaam, however, Swisscontact DHLed a update progress report and a set of posters being developed for PIMA. Actual meetings were held with Ralph Engelmann, Swisscontact Regional Director, and Richard Isiaho, Small Enterprise Training LLC in their Nairobi office on June 19.

Progress of PIMA is as follows:

- Planning workshops with potential franchisees were held in Tanzania, Kenya and Uganda on October-November 1999. These workshops confirmed that PIMA is relevant, innovative and cost-effective;
- 78 posters were developed but it took a lot of effort to develop pictures that conveyed messages and inspired discussions, and work is still proceeding on the colors;
- The content of the training delivery manual has been completed but work still needs to be done to improve its presentation/look;
- The promotional brochure has been completed, but still needs to be finalized once the colors for the posters are finalized;
- Preparation of the franchise agreement has been complex and difficult for Swisscontact. It is still a work in progress and won't be ready until later in June. In any case, because of concerns with a donor agency being a franchiser, Swisscontact has decided to utilize

Small Enterprise Training, SET, a limited liability company to become the franchiser; and

- Training, PIMA installation and implementation will begin in August.

Findings are as follows:

1. PIMA was conceptualized to provide cost-effective business skills training for group lending situations where clients meet regularly, and where the audience is disparate, but where the ability to read is generally limited.
2. Initially, the innovative feature of PIMA was thought to be the poster-based training, following from experiences of ILO about a decade ago. Sessions of 1 to 1 1/2 hours were planned to meet the needs of microenterprise borrowers from the perspective of MFI clients.
3. This approach has appeal beyond business skills training for microfinance clients. Other groups, such that women, education and church groups have expressed interest.
4. The idea of franchising was almost an afterthought, with the main focus on poster-based training. Swisscontact had heard about use of franchising concepts in Latin America but has had no direct contact with such groups. Some programs, like the ILO Improve Your Business program, comes close to a franchise concept. As far as Swisscontact understands, however, there are no microenterprise franchise programs in the Africa region.
5. Over time, Swisscontact has come to realize that franchising is the real innovative feature of PIMA. Swisscontact offices in such distant places as Vietnam and Indonesia are beginning to explore the possibilities of using franchising concepts in microenterprise programs.
6. Because Swisscontact has no direct experience with franchising, finding expertise has been important, but very difficult. Although Kenya has many franchises, the expertise in Nairobi is from the perspective of the franchisee, not the franchiser. Swisscontact traveled down to South Africa to obtain assistance. But even this is felt to be wanting.
7. It became difficult to consider becoming a franchiser for an NGO donor agency. Thus, the decision was made to spin off a private company, SET, to act as the franchiser. SET will have the permanence and company status to fit within the legal framework of Kenya.
8. Swisscontact is still working on the franchise agreement. It has become a more complicated contract, with a disclosure document now included, having 13 or 14 clauses, to establish transparency and trust.
9. What is so attractive to Swisscontact about franchising is that it is all about empowerment; it moves relationships from paternalism to mutually-benefit and respect.

10. Despite all the above, Swisscontact really feels a bit uneasy about franchising and would welcome any outside expertise that MBP or MIP could provide.
11. Fees of \$2000 per franchise has been established, as has the fee of \$600 per year thereafter. SET will not be sustaining as a franchiser until they get about 50 clients; at which point two people will be able to work full-time on PIMA.
12. Quality control and standards are important but expensive. Swisscontact believes that it will be up to the MFI franchisees to maintain good quality control, not PIMA.
13. Moving back to posters, the original cartoonist could not capture the village scenes that were felt necessary. A second cartoonist was found but lots of professional time was necessary to work with that individual. The posters have been tested out and approved by microenterprise organizations but haven't been tested out among village microentrepreneurs yet.
14. With respect to process, very high marks to MBP/DAI. The process is clear and transparent. The questions asked by the committee were relevant and thought provoking.

Lessons Learned. Franchising may be an innovation worth tracking. Swisscontact, however, could use external expertise in perfecting this concept. MBP, or MIP, should consider adding outside technical support for interesting concepts such as this one. Grants, then, need not be stand-alone.

D. Kenya, MBP-039, Grant to K-REP Holdings Limited for Developing and Implementing a Best Practices Course on Debt Collection under Solidarity Group Lending. Budget: \$87,163

Grant Objectives. The grant was signed in April 1999 and the implementation period was considered to be one year. K-REP was to develop and implement a best practices course on debt collection under solidarity group lending, in cooperation with four of the largest microfinance institutions in Kenya, originally established as The Kenya Women Finance Trust, Faulu, Pride, and CARE Kenya.

Three distinct phases were planned. In the first phase, K-REP will identify and document, in a case study format, the most effective strategies and tactics used by the field credit staff of these three organizations to collect bad and doubtful loans. K-REP will also determine the baseline position of the collaborating MFIs to determine the incidence and level of their delinquency and loan loss experience. In the second phase, K-REP will use the case studies developed in the first phase to identify and write a training course focusing on best practice in debt collection; to orient and present effective debt collection options for credit officers involved in solidarity group lending. In the third phase of the activity, K-REP will organize 2-3 pilot training courses, each lasting two days, for between 15-30 participants; develop a business plan to guide costing and marketing of this training in Kenya and the East and southern Africa region; and explore partnerships with several leading training institutions in this region.

Field Trip. K-REP offices were visited on June 19 in Nairobi. I met with Ms. Nthenya Mule, Operations Manager, Microenterprise Capacity Building Division, and Henry Oloo Oketch, General Manager of that same division. Ms. Mule and Mr. Oketch had only a little time to spare, the former because she was traveling to a CGAP meeting

This activity was scheduled to begin last year. But a number of factors resulted in delay. First, the grant agreement was lost. Secondly, Ms Mule was pregnant and took maternity leave. Third, K-REP was going through a major reorganization that preoccupied others. Fourth, Mr. Oketch spent the last year in Ghana. Essentially, almost a year has been lost in implementation -- but K-REP is back in gear and has a revised schedule that will complete the activity before the end of December 2000.

Once K-REP was in a position to carry out this grant, it reconnected with its former partners. Unfortunately, Faulu and Pride/Kenya are not willing to join in this endeavor now. With respect to Faulu, there is new management which considers the subject matter of the grant as sensitive institutional information. With respect to Pride/Kenya, they are just slow in responding. Thus, a new group endeavor has been formed: Pride/Tanzania and Uganda, KWFT, CARE/WEDCO, and of course K-REP Bank. Thus, the new perspective goes beyond Kenya to cover East Africa.

Two collection officers have been assigned from each institution, except KWFT which has three COs. They have all been assigned to other MFIs and are busy documenting their findings right now. During the week of June 26, there will be a peer review workshop for

three days in which the findings/recommendations will be debated until a consensus is reached. MBP will soon receive the baseline survey results and the synthesis of this workshop/peer review.

The second phase, curriculum development, will then take three months. Ms. Mule and several consultants will be involved. Training trials will take place in October, with two pilot sessions. In terms of marketing the final training program, K-REP is looking at its various network partners. Decisions must also be made on pricing.

Findings are as follows:

1. This is a good example of a capacity-building activity, focused on a specific region. However, because this grant is so far behind schedule, there are few findings thus far.
2. This is also a good example of a capable institution being overextended. While K-REP has a good reputation, its staff was clearly over-committed last year.
3. K-REP was very impressed with the clarity and transparency of the MBP grants making process. DAI is viewed as being very supportive and understanding, particularly given the tardiness of K-REP implementation.

Lessons Learned:

Is there a way to catch this over-extendedness before the grant is made? The grant agreement did specify the names of key personnel and included a timeframe for execution, because of such concerns.

E. Uganda, MBP-034, Grant to Swisscontact Uganda (SCU) to Build Capacity for Enterprise-Based Training in Technical Training Institutions for Carpentry Sector in Western Uganda. Budget: \$80,000.

Grant Objectives. The grant was made in March 1999 with a one-year implementation period. Swisscontact was to build the capacity of five selected Ugandan institutions to conduct enterprise-based training for small-scale carpenters, where artisans and craftsmen receive technical training in their usual workshop environment, not in formal institutions. Following a proven Swisscontact approach, staff from the participating training institutions attend a series of seven workshops and are given assignments in each workshop to apply or implement the points discussed. Workshop topics are understanding small carpentry business, establishing training needs and conditions, developing a curriculum, training trainers for EBT, institutionalizing EBT, designing promotion strategies, and identifying and securing EBT workshops. SCU is to train 20 staff members from the participating institutions to deliver EBT to small scale entrepreneurs. SCU had a parallel program running in eastern Uganda and wanted to run them concurrently, but the MBP grant was eight months late getting started.

Progress has been swift, in part because of Swisscontact's experience in eastern Uganda. Performance of Ugandan institutions has been above expectations. Seven Ugandan institutions have been selected, more than the five in the proposal. Ninety eight Ugandan institutions applied This was reduced to the fourteen institutions given performance contracts. Several dropped out and we are down to seven. Of the seven, two are GoU institutions and five are church-oriented. Now, SCU is primarily involved in monitoring the performance of these seven training institutions in their actual training.

Findings are as follows:

1. This MBP grantee is well established, with their own proven methodology for improving technical vocational training of adults in their workplaces. Apparently the methodology is working well in Uganda.
2. The program was already funded for eastern Uganda. USAID support allowed a national program, but was this worthy of an MBP grant?
3. As a result of this grant, western Ugandan training institutions are better able to provide vocational training to adults in carpentry. But is there further capacity building? Does anyone outside of Swisscontact benefit from this grant? Should a case study be written up and disseminated?
4. Again, kudos to MBP/DAI for a clear and straightforward process of grant application and grant making. Questions were relevant, but less thought-provoking than with the PIMA application. The limited pages allowed for submitting proposals didn't given the space for Swisscontact to demonstrate all it knows on this subject. This clearly differs from the PIMA proposal, which was more innovative from the perspective of Swisscontact.

Lessons Learned.

This was a "safe" investment; a proven organization doing what it does well. But should this be something that MBP and USAID supports in the future? Should more effort be made to getting this proven methodology out to others?

F. Kenya, MBP- 051, Exchange Visit for Kenya Postbank to South Africa and Zimbabwe. Budget: \$9,991

Grant Objectives. The grant was made in August 1999. Purpose was to visit various institutions in both countries to examine and share experiences in institutional transformation and sustainability. Three participants from the Kenya Postbank were I.F. Kiplagat, Managing Director, A.N. Koigi, Assistant General Manager/Corporate Planning; and I.J.S.O. Oboun, Manager/SAYE and Bonds. Postbank's follow-up plan consists of synthesizing the lessons learned from the visit and preparing a written proposal to present to Postbank's board of directors on restructuring, control systems, incentive programs, and new credit methodologies and programs.

Field Trip. Kenya PostBank organized a full day program for me on June 20. They were very gracious, scheduled a field trip to a branch, and even hosted a lunch. Although Mrs. Koigi was not present (she was out of country), her assistant, Mark Adoyo, spent the entire day with me. I was able to meet and interview the other two participants in the exchange visit, however Mr. Kiplagat, Managing Director, and Mr. Obuon, Manager of Special Products.

The driver behind this visit is that the Kenya PostBank has the potential to be a major microcredit institution, but is unable to provide small loans right now. Its charter is strictly one of a savings institution, long and well established, with more than two million savers (not all active). Apparently the trip was very useful to the participants and they wrote a very thorough analysis of what they saw and its implications for Kenya and the Postbank. However, the issue is that it is not in their authority to move into microlending. What is needed is first a change in their legal standing and secondly some decisions in the GOK regarding how to deal with microfinance.

Findings.

1. The exchange visit was very appropriate. The participants and the institutions visited were very relevant to the issues noted above.
2. The question, however, is that the Kenya PostBank does not have the authority to enter into microlending. These decisions rest with the Ministry of Finance and Central Bank. Decisions will not be made for at least another six months to one year; although there is much pressure within Kenya to properly regulate microfinance programs. Thus, the exchange visit by itself won't break the logjam.
3. The process of the exchange visit was fine. The application process was clear and transparent and efficient. Logistics and support were highly appreciated.

Lessons Learned.

An exchange visit, in and of itself, is not likely to result in a significant microenterprise development. Should representatives of Kenya's Central Bank and Ministry of Finance have participated since they are more key decision-makers?

G. Kenya, MBP-067, New Product Development Grant to PostBank to develop the Bidii Savings Account. Budget: \$30,000

Grant Objectives. The grant was made in March 2000. The grantee will participate in the MBP “Guide to New Product Development” field test to assess the methodology and usefulness of the Guide as a self-instruction, step-by-step manual for microfinance institutions to use in expanding their product line. Three phases have been identified:

1. Prototype design and development: forming a multidisciplinary team with a product champion and undertaking market research to determine product characteristics;
2. Pilot testing: identifying goals and evaluation criteria, selecting the test site and duration, and offering the product to document and analyze results; and
3. Product launch: designing the promotional campaign, identifying distribution channels, and building up institutional capacity.

In the case of the Kenya PostBank, the new product is the Bidii Savings Account. It is meant to be a flexible and domiciled savings account that offers easy access to funds, with comfortable transactions. The predetermined benefits are that the Bidii savings account has an affordable deposit of KSh 500 (well below \$10) to open and maintain; allows flexible withdrawals at no extra charge, interest earned is tax free, and customer deposits are government guaranteed.

Field Trip. Kenya PostBank organized a full day program for me on June 20. They were very gracious, included a field trip to a branch and even hosted a lunch. Although Mrs. Koigi was not present (she was out of country), her assistant, Mark Adoyo, spent the entire day with me. I was able to meet with Mr. Kipligat, a branch manager in the bank branch which is experimenting with the Bidii account. Others I met with are Mr. Obuon, Manager of Special Products; Mr. Chepkwony, Assistant General Manager of Operations; Mr. Mulamba and Mrs. Serem Sarah from Human Resources Development; Deputy Managing Director Kepner Tande; and Managing Director Isaiha Kiplagat.

Findings.

1. The genesis of this institution goes back to 1910 with the East African Savings Bank. In 1998, the Kenya PostBank was created from the East African Savings Bank while it separated from the postal service. Now the Kenya PostBank provides savings in 400 outlets around the country. The Bank has more than 2 million customers with the average savings account having \$33. Although many accounts are not very active, there has been an increase in the number of accounts of late as other Kenyan banks serving rural areas have closed down.
2. The broadest savings product of the Kenya PostBank is the Ordinary Savings Account, OSS. With a passbook, a saver is able to withdraw funds from any of the more than 400

outlets in Kenya. However, there is a one-week minimum time for a withdrawal and a charge for withdrawals.

3. The idea behind the Bidii Savings Account is to provide a flexible savings instrument. As a result of thorough customer surveys (part of the new product development process), PostBank learned that small vendors would most value a savings account that permitted overnight deposits and speedy transactions. Vendors are concerned with security and don't want to carry much money home with them after closing their shops.
4. Bidii Savings Account holders will have a plastic card to replace the OSS passbook. The minimum amount to open a Bidii account will be Ksh 700 (about \$10). Monthly statements of deposits and withdrawals will be provided in lieu of the passbook. The Bidii system will be computer-based, but because most PostBank outlets are not wired to each other, these accounts will be domiciled; that is only available for transactions in one designated branch. However, since many of the targeted customers run fixed shops/stalls, this is not an issue. The customer service level aims at two minutes to carry out the transaction, another value of customers surveyed in developing this new product. No extra charges will be levied for this flexible service (but withdrawals will cost KSh 20).
5. The PostBank headquarters was very proud of the fact that the Bidii Savings Account was designed in a multidisciplinary fashion, allowing for ownership across institutional boundaries. The participating Kenyatta branch manager was also very proud of his direct participation in designing this new product—a first for this Bank. The New Product Development Guide was utilized extensively, and the assistance of Monica Brand was very much appreciated.
6. The PostBank is getting ready for its three-month pilot testing to take place in the Kenyatta market, a periurban area of Nairobi. In visiting this branch office, I was able to walk through the space being prepared for the Bidii account pilot testing to take place. In touring the surround market area, the appropriateness of this account seemed apparent.
7. As with the other MBP grant, the PostBank was very appreciative of the support provided by MBP/DAI. They felt that the grant application and selection process was fair and straightforward.

Lessons Learned.

The New Product Development grant is still in its early stages. The pilot testing is just about to begin, so lessons learned are tentative. However, it can be said at this point that the Kenya PostBank was a good candidate for this type of activity. Its large size and coverage throughout Kenya give it a reach and potential impact not found with many other financial institutions serving the poor.

ANNEX 5
LIST OF INTERVIEWEES

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Organization	Individual
USAID	Anicca Jansen, MBP Program Manager
	Mark Walther, M/OP
	Rachel Powell, M/OP
Development Alternatives, Inc.	Jimmy Harris, MBP Grants Administrator
	Paul Bundick, MBP Managing Director
	Heather Roney, MBP Project Associate
SEEP	Dana De Kanter, Executive Director
	Sharyn Tenn, Manager, Network Development Services
Grant Review Panel	Marshall Bear, Consultant
	Brigit Helms, CGAP Micro-Finance Specialist
	Mary McVay, Consultant
Thematic Grant Leaders	Monica Brand, NPD, ACCION
	Mary McVay, PMF
	Sharyn Tenn, CLP, SEEP
Other Grant Programs	Brigit Helms, CGAP
Grantees	Dan Salcedo, Executive Director, PEOPLink
	Frank Lusby, Executive Director, Action for Enterprise
	Vicki Tsiliopoulos, Vice President, VITA
	Kim Sutia Alter, Save the Children
	Todd Farrington and Charles Gore, MicroRate
	Henri Van Der Land, FAIDA, Tanzania
	Messrs Milinga, Ndimbo, Ntambi, OIC/PRIDE Tanzania
	Ralph Engelmann, Swisscontact Nairobi Director
	Nthenya Mule and others at K-REP, Nairobi
	Mark Adoyo and others at Kenya PostBank, Nairobi

ANNEX 6
MBP GRANT PROFILES

MBP GRANT PROFILES

The following matrix describes the performance of all ongoing and completed MBP grants, as of March 31, 2000. An explanation of each column heading of the matrix is as follows:

Column Heading	Explanation
Name Grantee	<ul style="list-style-type: none"> Provides an acronym of each grantee
Type Grantee	<ul style="list-style-type: none"> PVO indicates a U.S., international, or affiliated voluntary organization NGO indicates a local, non-affiliated voluntary organization Bank indicates a formal financial institution
Number Grant	<ul style="list-style-type: none"> Refers to the MBP grant number
Amount Grant	<ul style="list-style-type: none"> Refers to the dollar value of grant, per MBP grant agreement
Type Grant	<ul style="list-style-type: none"> C indicates a Capacity-Building Grant EV indicates an Exchange-Visit Grant I indicates an Innovation Grant
Region	<ul style="list-style-type: none"> US indicates a grant that is truly international in scope LAC indicates a grant for one or more Latin American/Caribbean countries AFR indicates a grant for one or more sub-Saharan African countries ASIA indicates a grant for one or more Asian countries NE indicates a grant for one or more Near East/Middle Eastern countries NIS indicates a grant for one or more countries in Eastern Europe or former Soviet Union
Finance vs BDS	<ul style="list-style-type: none"> Fin indicates a grant to strengthen microfinance BDS indicates a grant to strengthen business development services Fin/BDS indicates a grant to strengthen both sectors
Thematic	<ul style="list-style-type: none"> No indicates that activity approved as a "one-off" unassociated grant Yes indicates that activity approved as part of larger associated grants, linked to research
Implement	<ul style="list-style-type: none"> Com indicates activity essentially completed InProgress indicates activity still not completed BS indicates activity significantly behind schedule ? indicates not enough information to make judgment
Objectives	<ul style="list-style-type: none"> Met indicates grant agreement objectives largely accomplished No indicates grant agreement objectives not achieved Early indicates it is too early to say objectives accomplished ? indicates not enough information to make judgment
Contribution	<ul style="list-style-type: none"> Yes indicates made a contribution to the MBP contract performance standards: "Establishment through sub-grants of effective training and information exchange activities that are likely to outlive the project." Second, implicit indicator is "movement of MSE service institutions towards 'best practices' in the field" No indicates that no contribution to performance standards apparent Early indicates that it is too early to judge ? indicates not enough information to make judgment
Capacity Building	<ul style="list-style-type: none"> Yes indicates that some contribution made to capacity building No indicates no capacity building results Early indicates that it too early to judge ? indicates not enough information to make judgment

Column Heading	Explanation
Innovation	<ul style="list-style-type: none">▪ N/A indicates not applicable: activity had no innovation features▪ Yes indicates an innovative contribution to microenterprise industry▪ No indicates that no innovative contribution apparent▪ Early indicates that it too early to judge▪ ? indicates not enough information to make judgment

Grant Performance Summary Table

Name	Grantee	Type Grantee	Number Grant	Amount Grant	Type Grant	Region	Finance vs BDS	Thematic	Implement	Objectives	Contribution	CapacityBldg	Innovation
	SCF	PVO	MBP-005	50,000	C	US	BDS	No	Com	Met	Yes	Yes	N/A
	CRS	PVO	MBP-006	50,000	C	US	Fin	No	Com	Met	Yes	Yes	N/A
	Calmeadow	PVO	MBP-007	50,000	C	LAC	Fin	No	Com	No	No	No	N/A
	IPES	NGO	MBP-013	30,000	C	LAC	BDS	No	Com	Met	Yes	Yes	N/A
	AFE	PVO	MBP-021	76,606	C	AFR	BDS	No	Com	Met	Yes	Yes	N/A
	WV	PVO	MBP-023	88,585	C	AFR	Fin	No	Com	Met	Yes	Yes	N/A
	CDF	NGO	MBP-025	73,700	C	ASIA	Fin	No	Com	Met	Yes	Yes	N/A
	PROMUC	NGO	MBP-028	70,000	C	LAC	Fin	No	Com	Met	Yes	Yes	N/A
	CARE	PVO	MBP-033	79,942	C	AFR	Fin	No	BS	Early	Early	Early	N/A
	SC-U	PVO	MBP-034	80,000	C	AFR	BDS	No	Com	Met	Yes	Yes	N/A
	SC-T	PVO	MBP-035	26,000	C	AFR	BDS	No	Com	Met	Early	Early	N/A
	GHAMFIN	NGO	MBP-037	40,000	C	AFR	Fin	No	InProgress	Early	Early	Early	N/A
	TIGF	NGO	MBP-038	65,000	C	AFR	Fin	No	BS	Early	Early	Early	N/A
	K-REP	NGO	MBP-039	87,163	C	AFR	Fin	No	BS	Early	Early	Early	N/A
	ANSAB	NGO	MBP-041	69,150	C	ASIA	BDS	No	Com	Met	Yes	Yes	N/A
	IBEE	NGO	MBP-042	50,000	C	LAC	Fin	No	BS	Early	Early	Early	N/A
	CRS	PVO	MBP-046	39,500	C	US	Fin	No	Com	Met	Yes	Yes	N/A
	AACMIS	PVO	MBP-003	50,000	C	LAC	Fin	No	Com	Met	Yes	No	N/A
	GHAMFIN	NGO	MBP-053	25,000	C	AFR	Fin	Yes	InProgress	Early	Early	Early	N/A
	AMFIU	NGO	MBP-054	25,000	C	AFR	Fin	Yes	InProgress	Early	Early	Early	N/A
	JCC	NGO	MBP-055	25,000	C	AFR	BDS	Yes	InProgress	Early	Early	Early	N/A
	ALAFIA	NGO	MBP-056	25,000	C	AFR	Fin	Yes	InProgress	Early	Early	Early	N/A
	ZAMFI	NGO	MBP-057	25,000	C	AFR	Fin	Yes	InProgress	Early	Early	Early	N/A
	MFN	PVO	MBP-068	39,500	C	US	Fin	Yes	InProgress	Early	Early	Early	N/A
	CDMR	NGO	MBP-069	25,000	C	AFR	Fin	Yes	InProgress	Early	Early	Early	N/A
	WVRO	PVO	MBP-001	10,000	EV	AFR	Fin	No	Com	Met	Yes	Yes	N/A
	TSPI	NGO	MBP-002	10,000	EV	ASIA	Fin	No	Com	Met	No	?	N/A
	VITA	PVO	MBP-009	11,930	EV	AFR	Fin	No	Com	Met	Yes	Yes	N/A
	CRS	PVO	MBP-010	6,960	EV	NE	Fin	No	Com	Met	Yes	Yes	N/A
	FONDESPOIR	NGO	MBP-011	5,000	EV	LAC	Fin	No	Com	Met	?	?	N/A
	CEPESIU	NGO	MBP-012	6,000	EV	LAC	BDS	No	Com	?	?	?	N/A
	Feed Children	PVO	MBP-014	10,895	EV	AFR	Fin/BDS	No	Com	Met	?	?	N/A
	PWOFOOD	NGO	MBP-015	9,355	EV	LAC	Fin	No	Com	Met	?	Yes	N/A
	Get Ahead	NGO	MBP-016	5,440	EV	AFR	Fin	No	Com	?	?	?	N/A
	OIC-Russia	PVO	MBP-017	8,400	EV	NIS	Fin	No	Com	?	?	?	N/A
	ACDI/VOCA	PVO	MBP-018	6,505	EV	NE	Fin	No	Com	Met	Yes	Yes	N/A
	ACLEDA	NGO	MBP-019	6,000	EV	ASIA	Fin	No	Com	Met	Yes	Yes	N/A
	BEES Trust	NGO	MBP-020	9,700	EV	AFR	BDS	No	Com	Met	Yes	Yes	N/A
	OIC-Tanzania	PVO	MBP-031	14,910	EV	AFR	Fin/BDS	No	Com	No	No	No	N/A
	LAPO	NGO	MBP-032	7,718	EV	AFR	Fin	No	Com	Met	Yes	Yes	N/A
	CDF	NGO	MBP-036	10,000	EV	AFR	Fin	No	Com	Met	Early	Early	N/A
	GUVS	NGO	MBP-040	6,340	EV	NE	Fin	No	Com	Met	Yes	Yes	N/A
	ANERA	NGO	MBP-044	10,000	EV	NE	Fin	No	Com	Met	?	?	N/A
	ALAFIA	NGO	MBP-045	10,000	EV	AFR	Fin	No	Com	Met	Yes	Yes	N/A
	WOCCU	PVO	MBP-047	26,049	EV	ASIA	Fin	No	Com	Met	Yes	Yes	N/A

KPOSBank	Bank	MBP-051	9,991	EV	AFR	Fin	No	Com	Met	No	No	N/A
CARE-WEDCO	PVO	MBP-052	16,710	EV	AFR	Fin	No	Com	Met	Yes	Yes	N/A
PRISMA	NGO	MBP-064	3,500	EV	LAC	Fin	No	Com	Met	Yes	Yes	N/A
ATAG	PVO	MBP-065	7,000	EV	AFR	BDS	No	InProgress	Early	Early	Early	N/A
Peoplink	PVO	MBP-004	50,000	I	US	BDS	No	Com	Met	Yes	Yes	Yes
MicroRate	PVO	MBP-008	50,000	I	LAC	Fin	No	Com	Met	Yes	Yes	Yes
Fundusz Mikro	NGO	MBP-022	61,500	I	NIS	Fin	No	BS	Early	Early	Early	Early
RESEAU	NGO	MBP-024	78,600	I	AFR	Fin	No	InProgress	Early	Early	Early	Yes
GRET	NGO	MBP-026	68,027	I	ASIA	Fin	No	Com	Met	Yes	Yes	Yes
Technoserve	PVO	MBP-029	75,211	I	AFR	BDS	No	Com	No	No	No	No
EMPRENDAMOS	NGO	MBP-030	37,500	I	LAC	Fin	No	Com	Met	Yes	Yes	Yes
MicroRate	PVO	MBP-043	35,000	I	US	Fin	No	Com	Met	Yes	Yes	Yes
BancoSol	Bank	MBP-048	29,000	I	LAC	Fin	Yes	BS	Early	Early	Early	Early
ProMujer	PVO	MBP-072	50,000	I	LAC	Fin	Yes	InProgress	Early	Early	Early	Early
ACCION	PVO	MBP-050	75,000	I	LAC	Fin	No	?	?	?	?	?
IEDI	NGO	MBP-058	10,000	I	ASIA	BDS	Yes	BS	Early	Early	Early	Early
SEEDS	NGO	MBP-059	10,000	I	ASIA	BDS	Yes	BS	Early	Early	Early	Early
CECI	PVO	MBP-060	10,000	I	ASIA	BDS	Yes	BS	Early	Early	Early	Early
CI	PVO	MBP-061	10,000	I	LAC	BDS	Yes	BS	Early	Early	Early	Early
SC-Philippines	PVO	MBP-062	10,000	I	ASIA	BDS	Yes	BS	Early	Early	Early	Early
FAIDA	PVO	MBP-063	10,000	I	AFR	BDS	Yes	BS	Early	Early	Early	Early
KPOSBank	Bank	MBP-067	30,000	I	AFR	Fin	Yes	InProgress	Early	Early	Early	Early